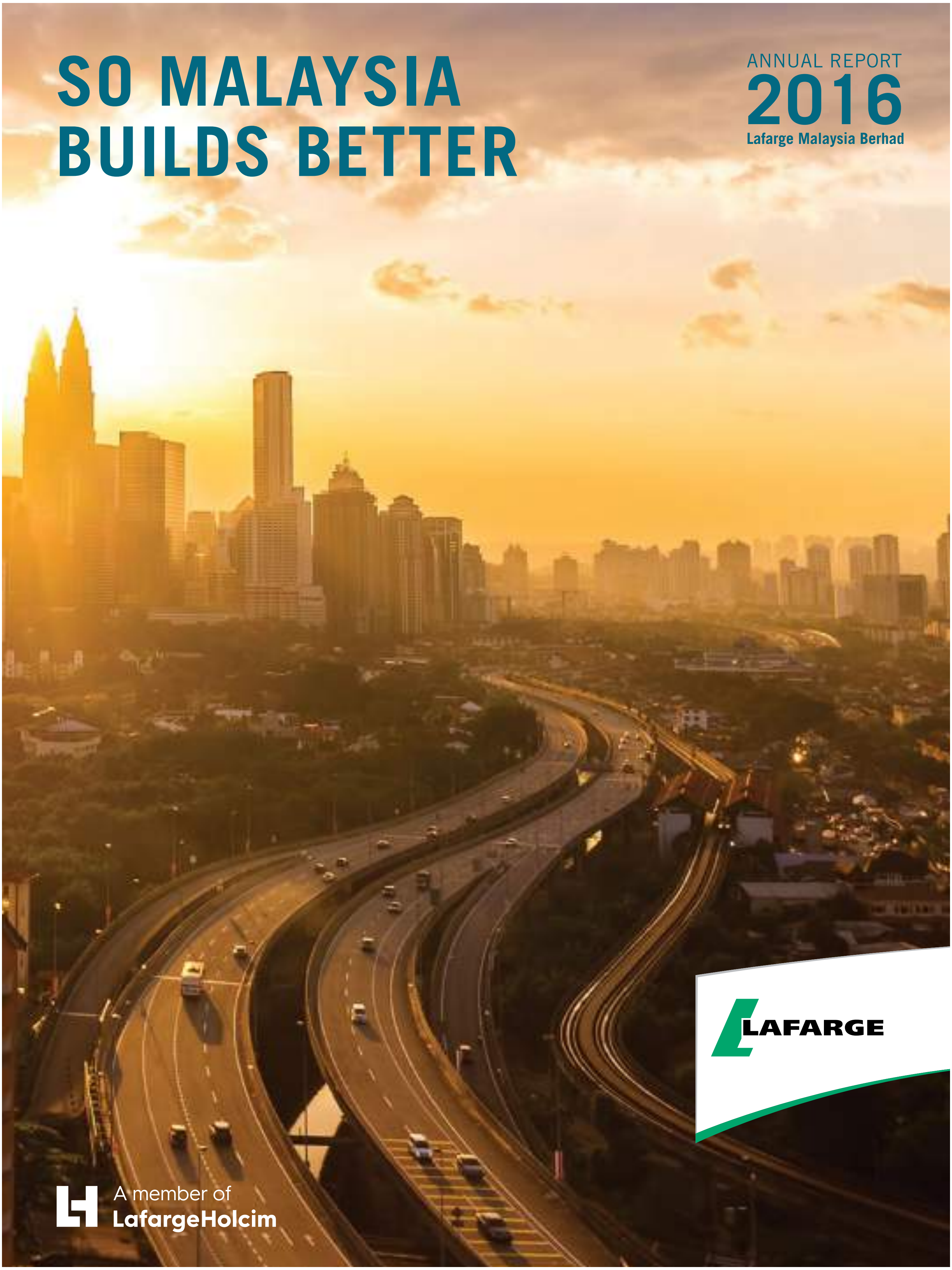
SO MALAYSIA BUILDS BETTER

ANNUAL REPORT
2016
Lafarge Malaysia Berhad



LAFARGE

A member of LafargeHolcim

OUR PROFILE

Lafarge Malaysia Berhad is a major player in the Malaysian construction industry. Our solutions provide cities and townships with more housing, making them more compact, more durable, more beautiful and better connected. Headquartered in the Klang Valley, Lafarge Malaysia has facilities that include three integrated cement plants in Langkawi, Kanthan and Rawang, two grinding stations in Pasir Gudang, two Drymix plants, around 40 ready-mixed concrete batching plants and four aggregates quarries throughout Peninsular Malaysia. These facilities are supported by a wide network of depots, terminals and distribution facilities, connected by road, rail and sea.

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01 GROUP FINANCIAL HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME

REVENUE (RM '000)

'15	2,750,820	
'16	2,552,205	-7.22%

EBITDA MARGIN (%)

'15	18.8	
'16	11.7	-37.67%

PROFIT FROM OPERATIONS *EXCLUDE DEP & AMORTISATION* (EBITDA) (RM '000)

'15	516,532	
'16	298,727	-42.17%

PROFIT FROM OPERATIONS (PBIT) (RM '000)

'15	355,219	
'16	102,858	-71.04%

PROFIT FOR THE YEAR (RM '000)

'15	252,562	
'16	77,729	-69.22%

STATEMENT OF FINANCIAL POSITIONS

TOTAL EQUITY* (RM '000)

'15	3,094,804	
'16	3,063,630	-1.01%

MARKET CAPITALISATION @ 31 DECEMBER (RM '000)

'15	7,545,292	
'16	6,109,307	-19.03%

TOTAL SHARE ('000)

'15	849,695
'16	849,695

MARKET PRICE @ 31 DECEMBER (RM)

'15	8.88	
'16	7.19	-19.03%

* Equity - include non-controlling interest

EBITDA - Earnings before interest, tax, depreciation and amortisation

PBIT - Profit before interest and tax

DIVIDEND AND EARNING PER SHARE

EARNING PER SHARE (SEN)

'15	29.70	
'16	9.02	-69.63%

NET DIVIDEND (SEN)

'15	31.00	
'16	5.00	-83.87%

DIVIDEND YIELD (%)

'15	3.49	
'16	0.70	-80.08%

FINANCIAL RATIOS

PROFIT FROM OPERATIONS/TOTAL EQUITY (%)

'15	11.5	
'16	3.4	-70.75%

PAT/REVENUE (%)

'15	9.2	
'16	3.0	-66.83%

PAT - Profit after tax

STATEMENT OF CASH FLOW

OPERATING WORKING CAPITAL % OF REVENUE (%)

'15	6.8	
'16	3.6	-46.81%

OPERATING WORKING CAPITAL (RM '000)

'15	186,772	
'16	92,177	-50.65%

NET CASH FROM OPERATING ACTIVITIES (RM '000)

'15	383,427	
'16	292,289	-23.77%

CAPITAL EXPENDITURE (RM '000)

'15	216,728	
'16	247,691	+14.29%

01 FIVE-YEAR FINANCIAL STATISTICS

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
OPERATING RESULTS					
Revenue	2,740,062	2,852,400	2,743,090	2,750,820	**2,552,205**
Profit from operations	472,982	512,334	344,847	355,219	**102,858**
Profit before tax	469,752	514,890	345,183	346,906	**74,281**
Profit for the year	349,490	367,118	256,007	252,562	**77,729**
KEY BALANCE SHEET DATA					
Share capital	849,695	849,695	849,695	849,695	**849,695**
Total equity	3,172,620	3,219,629	3,124,944	3,094,804	**3,063,630**
Net borrowings/(cash)	(352,295)	(450,362)	(460,858)	29,705	**141,282**
Net tangible assets	1,963,298	2,011,171	1,918,589	1,656,921	**1,644,340**
SHARE INFORMATION & FINANCIAL RATIOS					
Net gearing ratio (times)	-	-	-	0.01	**0.05**
Net tangible assets per share (RM)	2.31	2.37	2.26	1.95	**1.94**
Net earnings per share (EPS) (sen)	41.07	43.15	30.13	29.70	**9.02**
Net dividend per share (sen)	37.00	41.00	34.00	31.00	**5.00**
Share price (RM) - Year High	10.18	11.20	10.64	10.42	**9.29**
Share price (RM) - Year Low	6.66	8.25	7.90	8.45	**6.85**

FIVE-YEAR FINANCIAL STATISTICS

REVENUE (RM '000)

'12	2,740,062
'13	2,852,400
'14	2,743,090
'15	2,750,820
'16	2,552,205

PROFIT BEFORE TAX (RM '000)

'12	469,752
'13	514,890
'14	345,183
'15	346,906
'16	74,281

PROFIT FOR THE YEAR (RM '000)

'12	349,490
'13	367,118
'14	256,007
'15	252,562
'16	77,729

TOTAL EQUITY (RM '000)

'12	3,172,620
'13	3,219,629
'14	3,124,944
'15	3,094,804
'16	3,063,630

NET BORROWINGS/(CASH) (RM '000)

'12	(352,295)
'13	(450,362)
'14	(460,858)
'15	29,705
'16	141,282

NET DIVIDEND PER SHARE (SEN)

'12	37.00
'13	41.00
'14	34.00
'15	31.00
'16	5.00

02 CEO'S MESSAGE TO SHAREHOLDERS

FIRST YEAR AS LAFARGEHOLCIM

In 2016, we operated as a merged LafargeHolcim entity, strengthening our position as Malaysia's largest cement, concrete and building materials company. The merger gave us strong synergies and access to a much bigger network of facilities and possibilities.

Our merged assets now include three integrated cement plants in Langkawi, Kanthan and Rawang, two grinding stations in Pasir Gudang, two Drymix plants, around 40 ready-mix (RMX) concrete batching plants and four aggregates quarries around Peninsula Malaysia. This gives us the capability to fulfill customer needs in the most reliable, trustworthy and efficient manner.

STAYING SOLID IN A CHALLENGING MARKET

For us and the industry, 2016 was marked by a slowing property and construction market. Volatile fuel prices, weak global sentiment and a strengthening US Dollar exerted further pressure on local market conditions. As a result of these elements, Malaysia's cement market contracted by more than 6% in 2016, the first decline in the industry following six years of continuous growth since 2009.

Additionally, increase of market capacity in the Peninsula resulted in further price pressure and intensifying competition. In this context, we focused on increasing efficiency, decreasing our costs and investing for the future.

"With progress made in our operations and in our commercial transformation, we are poised to capture any available potential growth opportunities and to respond when the market recovers."

02 CEO'S MESSAGE TO SHAREHOLDERS

ENHANCING OUR FACILITIES, DECREASING OUR COSTS

In Rawang and Kanthan, we completed a debottlenecking project that successfully addressed heretofore-insufficient internal production in both cement plants. The roller press in Rawang and the cement vertical mill in Kanthan give us additional grinding capacity of 1.6 million tons of cement annually. The project delivers clear benefits to the business; the first is to address current capacity limitations so that we are fully prepared when market conditions recover. It also gives us added flexibility in our operations network, decreasing our logistics and transport cost, while allowing us to serve the market better. Our additional grinding capacity improved our grinding efficiency, thus reducing our energy cost.

Meanwhile, in Pasir Gudang, we opened our second Drymix plant to capitalise on growing market demand in the South. This consolidates our position both as a pioneer and a market leader in the Drymix segment. This second plant complements our Rawang Drymix plant, expanding our market coverage and improving our customer service.

"In Pasir Gudang, we opened our second Drymix plant to capitalise on growing market demand in the South. This consolidates our position both as a pioneer and a market leader in the Drymix segment."

We further enhanced our Construction Development Laboratory (CDL) with an ISO accreditation and the addition of a mobile soil laboratory. The ISO/IEC 17025 accreditation, received in November 2016, is the highest standard of quality that is recognised globally. This ensures the quality and accuracy of laboratory equipment calibration and sampling analysis. It provides our customers with the assurance that the CDL is able to produce precise and accurate results for cement, concrete and soil testing.

The mobile soil laboratory, opened in October 2016, adds to our existing cement, concrete and aggregate laboratories. The first of its kind within the LafargeHolcim group in Southeast Asia, this laboratory offers on-site testing and results, and on-the-spot technical consultation. This is a value-added service that we can offer to infrastructure projects. To this end, we also inked a Memorandum of Collaboration (MOC) with Kumpulan IKRAM to jointly promote innovation and best practices for construction and soil testing projects in the country.

STRENGTHENING OUR POSITION IN THE RMX BUSINESS

Lafarge Malaysia progressed in commercial RMX and special projects, and further strengthened our network of concrete plants.

In 2016, we upgraded our Petaling Jaya concrete batching plant with the latest state-of-the-art equipment that allows the plant to produce highly technical concrete. Together with our flagship Chan Sow Lin plant, we have further enhanced our capability to supply to high-value and technically sophisticated infrastructure and building projects in the Klang Valley.

For special projects, we passed the 1 million cubic-meter mark in concrete supply to the Refinery and Petrochemical Development (RAPID) project in Pengerang, Johor in December 2016. This was a significant milestone for us as it demonstrates our ability and capacity to deliver the quality, the logistics solutions and the health and safety standards required by high value complex projects. We are indeed proud to contribute to this project, and to have been awarded by Petronas with a Recognition Award in acknowledgement of our contributions at RAPID.

We also commenced concrete supply for the construction of another iconic project in the energy sector, the Jimah East Power Plant - a contract that will last up to 36 months. This latest project further establishes Lafarge Malaysia as the preferred concrete supplier for power plant construction, with our track record including other power plants such as Manjung 4 & 5, Tanjung Bin and the initial Jimah facility.

STRENGTH THROUGH DIFFERENTIATION

For us, differentiation in the products and services we deliver to our customers is critical in distinguishing us from our competitors, and in 2016, we gained further traction.

We initiated our Offer Range Management project, where we reviewed and streamlined our portfolio of products. One result of this was the launch of Rumah cement, built on insights into the preferences of contractors and masons in the Northern market.

Construction efficiency and affordable housing is a priority in Malaysia. In response, we have developed FASTBUILD - a monolithic building system that combines aluminum formwork and Agilia, our self-compacting and self-leveling concrete. FASTBUILD has proven to be a good solution to the affordable housing issue in the country as the system allows a house structure to be constructed in just five days and the house to be fully completed in nine. Lafarge Malaysia recently secured projects in Terengganu and Perak to build over 100 houses and we expect demand to increase.

Another growth opportunity is the usage of cement and concrete in soil stabilisation, road maintenance and construction. In view of this, we developed and introduced our Road Integrated Offer. In 2016, we successfully completed a number of soil stabilisation and maintenance project. Lafarge Malaysia will be contributing to several highway projects in the next few years.

02 CEO'S MESSAGE TO SHAREHOLDERS

We are proud to be one of the first six companies in Malaysia to receive the ISO 39001 certification for road traffic safety management.

COMMITTED TO HEALTH & SAFETY, OUR OVERARCHING VALUE

Our unwavering commitment to safety continued in the year under review and road safety is a key priority in the company. We are proud to be one of the first six companies in Malaysia to receive the ISO 39001 certification for road traffic safety management.

This perfectly complements the various safety actions that we have implemented over the years to enhance our road safety performance. These actions include introducing GPS systems into our cement trucks to improve driver behaviour and vehicle safety, as well as driver safety engagement programmes.

Good housekeeping is a key driver to good health and safety performance. Following this, we launched a company-wide housekeeping project to increase the efficiency of our operations at our workplace, and to prevent accidents. The year-long housekeeping project culminated into Open Days at our cement plants attended by staff, their families and neighbouring communities.

STEP CHANGE FOR THE FUTURE

2016 has been a challenging year from a market perspective and this is reflected in the company's results. Nevertheless, it was also a year of step change for Lafarge Malaysia. We are now leaner and stronger to face challenges and to serve our customers. With progress made in our operations and in our commercial transformation, we are poised to capture any available potential growth opportunities and to respond when the market recovers.

In closing, on behalf of the Board of Directors, I would like to extend my gratitude to the communities within which we operate for their support. To my colleagues at Lafarge Malaysia, thank you for your unwavering commitment. To our Shareholders, thank you for your confidence in our vision and direction. Finally, to our Customers, our appreciation for motivating us to continually improve and differentiate to add value to your business, and for your partnership as we grow together.

Thierry Legrand
President & CEO, Lafarge Malaysia Berhad

MANAGEMENT DISCUSSION OF **FINANCIAL RESULTS AND BUSINESS CONDITIONS** 02

LAFARGEHOLCIM IN MALAYSIA

In 2016, we completed the merger of Lafarge and Holcim in Malaysia, leading to the enhancement of Lafarge Malaysia Berhad's network of operations, assets and resources.

As a result of the merger, Lafarge Malaysia Berhad (Lafarge Malaysia) now holds leadership positions in both its core segments of Cement and Concrete in Malaysia. This is supported by an extended network of three integrated cement plants, two grinding stations, two Drymix plants, around 40 Ready Mix Concrete Batching (RMX) plants, and four aggregate quarries.

OUR FINANCIAL PERFORMANCE

Lafarge Malaysia recorded RM 2.55 billion in revenue for the year ended 31 December 2016. This is a 7.2% decrease from the RM 2.75 billion recorded the previous fiscal year.

The drop in revenue is mainly due to the lower sales revenue from the cement segment. This segment was adversely affected by market conditions; a slowdown in the construction industry led to weakening demand, while a growth in capacity led to pricing pressure. Our other businesses, however, grew by 28.8% as compared to financial year (FY) 2015.

Consequently, Lafarge Malaysia's profit before tax (PBT) dropped 78.6% to RM 74.3 million from the previous year's total of RM 346.9 million. Profit after tax (PAT) fell 69.2% to RM 77.7 million from RM 252.6 million recorded a year earlier.

It should be noted that the weaker performance, as compared to FY 2015, was also a result of three one-off factors: integration costs related to the merger, a loss on disposal of a subsidiary and a lower foreign exchange gain. Meanwhile, borrowings late last year to fund the acquisition of Holcim Malaysia also resulted in higher finance costs.

“In 2016, we completed the merger of Lafarge and Holcim in Malaysia, leading to the enhancement of Lafarge Malaysia Berhad's network of operations, assets and resources. As a result of the merger, Lafarge Malaysia Berhad (Lafarge Malaysia) now holds leadership positions in both its core segments of Cement and Concrete in Malaysia.”

02 MANAGEMENT DISCUSSION OF FINANCIAL RESULTS AND BUSINESS CONDITIONS

CHALLENGING CONDITIONS

The industry as a whole experienced a tough economic environment in 2016. Overall, Malaysia's gross domestic product (GDP) growth slowed to 4.2% in 2016, as compared to 5% in 2015. There was a visible deceleration in the property market, prompted by tighter lending policies and this, in turn, led to a slowdown in the construction industry.

As a result, the cement market saw its first contraction since 2009, decreasing by more than 6%. The situation was further compounded by an increase in cement capacity in Peninsular Malaysia and this conflation of events has led to severe price erosion.

The speed of recovery for the residential market remains uncertain. Market momentum is, nevertheless, expected to improve in the second half of 2017, led mainly by the infrastructure segment, with on-going large-scale projects like the Sungai Besi-Ulu Kelang expressway (SUKE), Damansara-Shah Alam elevated highway (DASH), Damansara-Ulu Kelang expressway (DUKE 3), Mass Rapid Transit (MRT 3), and Light Rail Transit (LRT 3).

OUR STRATEGY

While it is our belief that Lafarge Malaysia is well-positioned to take advantage of any upswings in the economy, the reality is that the tough economic environment is likely to continue in the short to medium term. Our response, therefore, is to make our organisation "leaner and meaner" by containing variable, transport and fixed costs, as well as selling, general and administrative (SG&A) expenses. Efforts to manage variable costs include the increased use of alternative fuels and raw materials at our plants.

The debottlenecking projects in our Kanthan and Rawang plants that were undertaken throughout 2016 will deliver substantial transport and utility savings moving forward. With the additional grinding capacity, both plants are now better able to serve the Central region market. Consequently, the reliance on Langkawi is reduced, thereby lowering the need to transport any product from the Island to the Klang Valley.

As part of our asset optimisation strategy, we also decided to sell our Ipoh Quarry, which was non-strategic, for RM 28 million.

Lafarge Malaysia acquired Geocycle Sdn Bhd from Lafarge Industrial Ecology International SA in 2016 with the goal of playing a larger role in the solid waste management industry as we believe that this is an area of opportunity in Malaysia. Every year, through Geocycle, cement plants in the LafargeHolcim Group co-process more than 14 million tons of waste worldwide. This preserves land that is equivalent to the size of 85 football fields, and prevents 16.9 million tons of CO2 emissions.

Concurrently, Lafarge Malaysia has embarked on a commercial transformation. A better understanding of customer needs and wants will allow us to not only sell more of our traditional products, but also expand into the realm of higher value-added products and services.

CUSTOMER AT THE HEART OF BUSINESS

We are seeking new ways to help Lafarge Malaysia stand out from the competition. Key items on the agenda are modernising our retail models, enhancing our building and infrastructure segment offerings, and strengthening our existing services in RMX. In this aspect, the Construction Development Laboratory (CDL) is expected to play a more prominent role by offering novel services such as soil testing and the development of construction solutions to meet the specific needs of our customers. Lafarge Malaysia will also leverage off on its experience, and wide array of skillsets, by offering services such as logistics and project management, and specialist consulting.

Moving forward, we will optimise our portfolio of offerings to ensure that the right product is used for the right application. We will invest in brand building and communication to strengthen our brand proposition and we will enhance our retail channel.

02 MANAGEMENT DISCUSSION OF FINANCIAL RESULTS AND BUSINESS CONDITIONS

With continued investment and progress in enhancing our network of facilities, in cost optimisation, in differentiation and in developing our people, Lafarge Malaysia is well-placed to capitalise on existing opportunities and to forge ahead when the market recovers.

DEVELOPING OUR PEOPLE

During challenging times, it is even more critical for us to invest in developing our people. To this end, we have in place a solid strategy focusing on Talent Development, Performance Management as well as Communication and Engagement.

We launched a Sales Force Effectiveness programme to equip our people with the right skills and knowledge to support our Commercial Transformation goals. At the same time, we enhanced our Young Engineers Programme to develop our talent pipeline. We also ran leadership development programmes to develop our existing middle management as part of succession planning. We have put in place a robust performance management system to support our business goals.

For the coming year, we will be focusing on promoting agility in the organisation, streamlining our processes and improving collaboration and communication throughout the Company.

MODERNISING OUR BUSINESS SYSTEM

Lafarge Malaysia has migrated from its current JDE business system to SAP to be on the same platform with the rest of the LafargeHolcim Group. This streamlining exercise will deliver many benefits: greater data consistency, alignment in reporting as well as standardisation of processes. The SAP system went live on 1 April 2017.

LOOKING AHEAD TO 2017

While the challenging conditions seem set to continue in the short term, the Malaysian Government's commitment to large infrastructure projects bodes well for the construction industry in the medium to long term. Apart from direct benefits, they are expected to spur on transit oriented developments, especially in the vicinity of the projects. Therefore, we expect that this, and continued demand for affordable housing, will stabilize the housing markets.

With continued investment and progress in enhancing our network of facilities, in cost optimisation, in differentiation and in developing our people, Lafarge Malaysia is well-placed to capitalise on existing opportunities and to forge ahead when the market recovers.

SUSTAINABILITY OVERVIEW 03

BUILDING FOR TOMORROW, TODAY

LafargeHolcim Group

The global population is expected to increase by another 1.4 billion people by 2030. While this presents a great opportunity, new business models based on innovative and sustainable solutions are needed to maintain progress.

With this in mind, LafargeHolcim Group launched in 2016 its Sustainable Development Plan, known simply as "the 2030 Plan". Based on the newly adopted United Nations Sustainable Development Goals and the Paris Agreement on Climate, it is central to LafargeHolcim Group's vision for the future. Through the 2030 Plan, LafargeHolcim intends to not just incorporate proven sustainable practices into its business model, but to actually make them a key lever for growth. The Group seeks to generate 1/3 of its revenue from these "2030 solutions" through a portfolio of products and services leveraging on sustainability.

The 2030 Plan prioritises four key areas, namely:

Climate	Circular Economy	Water and Nature	People and Communities
LafargeHolcim will play its part in realising a carbon-neutral construction sector by producing 19% less net CO_2 per ton of cement.	LafargeHolcim will use 80 million tons of resources made from waste per year in operations, and will supply four times more aggregates recycled from construction and demolition waste, and reclaimed asphalt pavement.	LafargeHolcim has set itself the target of reducing the amount of freshwater used to produce each ton of cement by 30%.	LafargeHolcim seeks to improve the lives of 75 million people through affordable housing solutions, and social investments. Additionally, LafargeHolcim aims to achieve a minimum of 30% gender diversity at all management levels, and achieve a zero fatality target in all operations.

Lafarge Malaysia Berhad

In tandem with the Group, Lafarge Malaysia Berhad (Lafarge Malaysia) launched its Sustainable Development Plan on 25 January 2017. This local implementation is built on the same core areas as laid out by the Group. The objectives, goals, strategies, and activities conducted in bringing the plan to life will be detailed in our stand-alone Sustainability Report, which will be published in the second half of 2017.

Many activities aimed at helping Lafarge Malaysia achieve these targets by 2020 are already in various stages of development and implementation. The following pages provide a brief update on our progress.

03 SUSTAINABILITY OVERVIEW

SUSTAINABILITY ACHIEVEMENTS, ACTIVITIES AND INITIATIVES IN 2016

Advocating Health and Safety

In 2016, no on-site fatalities were reported, although there was a single road fatality. Both Lost Time Injuries (LTI) and Medical Injuries (MI) were also significantly reduced. There were two LTI and six MI for 2016 against six and 10 respectively for 2015. Additionally, more than 10,000 safety engagements and over 70,000 hours of Health and Safety training sessions were conducted in 2016.

Road safety is a top priority for us at Lafarge Malaysia. With over 1,500 contracted cement trucks travelling over 120,000km daily throughout the country, we have the duty to equip our drivers with the right tools, behaviour and knowledge to allow them to carry out their task in a safe and responsible manner. Over the last few years, we have implemented various actions toward this end: we launched our Driver Safety Education and Reward Programme, we installed GPS in all our trucks, and in 2016, we attained ISO 39001 certification for our Road Transport Management System.

No. of safety engagements in 2016

Product Line / Plant / Activities	Number of safety engagements in year 2016
Aggregates	698
Readymix	4,574
Kanthan	1,182
Langkawi	2,185
Pasir Gudang	816
Rawang	617
Cement Industrial	126
Head Office	163
Supply Chain	97
HSBP	184
Total	**10,642**

47.7 million km

Total distance driven by contractor vehicles across all product lines in 2016

Health & Safety training hours

Year	Total Training Hours
2014	35,971
2015	68,875
2016	71,458

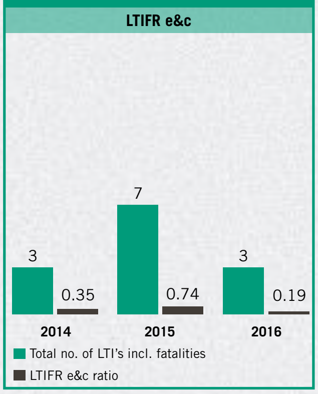
No. of near misses reported

Year	Total Near Misses Reported
2014	497
2015	653
2016	663

No. of motor vehicle incidents (MVI) net of third party fault in 2016

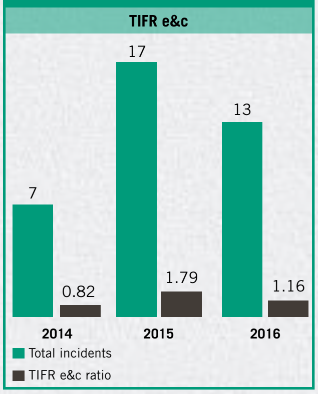
Product Line / Plant / Activities	Number of MVI's net of third party fault
Supply Chain	2
Cement	4
Aggregates	0
Readymix	108
CMC	2
Head Office	0
Total	**116**

LTIFR e&c statistics for 2014, 2015 and 2016



Definition of LTIFR e&c:
Total number of fatalities and lost time injuries x 1,000,000 divided by total number of worked hours.

TIFR e&c statistics for 2014, 2015 and 2016



Definition of TIFR e&c:
Total number of fatalities, lost time injuries, medical incidents x 1,000,000 divided by total number of worked hours.

Championing Equality

Talent is the key to any organisation's success. Lafarge Malaysia is no different, and it was a compliment when the company was acknowledged by the Malaysian Ministry of Women, Family & Community Development for having women make up more than 30% of the Board of Directors. Lafarge Malaysia has also maintained a minimum level of 30% gender diversity in the overall management team since 2015.

Preserving Biodiversity

The Kanthan Hill area, which surrounds the Kanthan plant, is home to rare flora and fauna that are of conservation importance. In 2016, plans were drawn up to conserve areas where sensitive species, such as the Kanthan Trapdoor Spider, are found. Quarry rehabilitation will also be conducted to establish nurseries for species that are native to the area, thus helping to both sustain and promote Kanthan's original limestone biodiversity.

Raising the Bar in Circular Economy

Waste management is a key area that we can contribute to in Malaysia, particularly for industrial waste. Through Geocycle Sdn Bhd, Lafarge Malaysia provides waste management services to other industries in the country via its co-processing solution. This solution has helped almost 50 companies achieve their sustainability ambition of zero landfill. We also strive to raise the bar in good waste management practices by working closely with the Department of Environment, on top of initiating technical skills and facility development programmes.

Geocycle also provides alternative fuels and raw materials to Lafarge Malaysia to reduce our cost and reliance on natural resources. Our plants are substituting an increasing amount of traditional fuels with alternative fuels from biomass, refuse-derived fuels and industrial waste.

Making Integrity Integral to Success

In 2015, the LafargeHolcim Code of Business Conduct was launched to provide guidance and examples on maintaining integrity across a wide range of situations, whether at the workplace, during business activities, and when engaging with the community. To further support the LafargeHolcim Group's commitment, the LafargeHolcim Integrity Line was launched in 2016, and subsequently rolled out in Malaysia. This secure internal advice and reporting system helps ensure that employees always have the tools, resources and means to practice, understand and enforce the Code. Employees can use the line, which is available 24 hours a day, 7 days a week, to ask questions or report concerns on ethical business practices and compliance with the Code, policies, directives and the law.

"Talent is the key to any organisation's success. Lafarge Malaysia is no different, and it was a compliment when the company was acknowledged by the Malaysian Ministry of Women, Family & Community Development for having women make up more than 30% of the Board of Directors. Lafarge Malaysia has also maintained a minimum level of 30% gender diversity in the overall management team since 2015."

03 SUSTAINABILITY OVERVIEW

Engaging with and Supporting the Community

A crucial part of our 2020 sustainable development target is to reach out to communities around our sites and operations. For example, Lafarge Malaysia has rewarded academic excellence in adopted schools that serve these communities. Since its inception in 1997, the Lafarge Malaysia Bursary Awards has given out over RM 2.5 million worth of bursaries, and 2016 was no exception – a total of RM 67,000 was awarded to 139 recipients.

To ensure that our relationships with the communities that live around our cement plants are at a positive level, all our cement plants have put in place a stakeholder engagement plan that is reviewed and tracked annually. The plan entails regular meeting sessions with our key stakeholders, among others.

Further to that, we conduct socio economic footprint exercises on a regular basis to measure our business' impact to the surrounding communities. The first was conducted in Kanthan in 2013, and last year, we completed it for Rawang and Langkawi. Highlights of the footprint results will be published in our stand-alone 2016 Sustainability Report.

Fully Committed to Sustainability

For Lafarge Malaysia, sustainability is part of our responsibility. We are fully committed towards leading the sustainable way in Malaysia, especially in areas that have the most impact to the country.

Road safety - being one of the most critical issues in Malaysia - continues to be our top priority. We will uphold our strict standards of health and safety in all areas as we believe it is the right of every individual involved in our operations, be it employees, contractors, drivers to safely return home every day. Our aim of zero harm continues to drive our actions and performance.

We also acknowledge the importance of renewable resources towards creating a sustainable future. In this regard, we will continue to raise standards in industrial waste management as we recognise that there is a huge potential for progress in this area. On top of that, we will implement a biodiversity management plan at all our cement plants, in an effort to preserve the natural limestone biodiversity.

CORPORATE INFORMATION 04

BOARD OF DIRECTORS

Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR
DKYR, PSM, SPNS, AMN, PJK
Chairman, Independent Non-Executive Director

MARTIN KRIEGNER
Vice Chairman, Non-Independent Non-Executive Director

THIERRY LEGRAND
Executive Director, President & Chief Executive Officer

MICHAEL LIM YOKE TUAN
Executive Director, Chief Financial Officer

TAN SRI A. RAZAK BIN RAMLI
Senior Independent Non-Executive Director

Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK
Independent Non-Executive Director

TAN SRI DR REBECCA FATIMA STA MARIA
Independent Non-Executive Director

DATUK MUHAMAD NOOR BIN HAMID
Independent Non-Executive Director

BI YONG SO CHUNGUNCO
Non-Independent Non-Executive Director

DANIEL NIKOLAUS BACH
Non-Independent Non-Executive Director

JEAN DESAZARS DE MONTGAILHARD
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Y.M. Tunku Afwida Binti Tunku A.Malek (Chairman)
Tan Sri A. Razak Bin Ramli
Datuk Muhamad Noor Bin Hamid
Bi Yong So Chungunco
Daniel Nikolaus Bach

REMUNERATION AND NOMINATION COMMITTEE

Tan Sri A. Razak Bin Ramli (Chairman)
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
Tan Sri Dr Rebecca Fatima Sta Maria
Bi Yong So Chungunco
Jean Desazars de Montgailhard

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Tan Sri A. Razak Bin Ramli

COMPANY SECRETARIES

Koh Poi San (L.S. No. 9701)
Katina Nurani Binti Abd Rahim (L.S. No. 9652)

REGISTERED OFFICE AND HEAD OFFICE

LAFARGE MALAYSIA BERHAD (1877-T)

Level 12, Bangunan TH Uptown 3
No. 3, Jalan SS21/39
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7723 8200
Fax : 603-7722 4100

AUDITORS

DELOITTE PLT (AF:0080)

Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 603-7610 8888
Fax : 603-7726 8986

SHARE REGISTRARS

SYMPHONY SHARE REGISTRARS SDN BHD (378993-D)

Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7841 8000
Fax : 603-7841 8008

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

WEBSITE

www.lafarge.com.my

04 BOARD OF DIRECTORS

Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR
DKYR, PSM, SPNS, AMN, PJK
Chairman, Independent
Non-Executive Director

MARTIN KRIEGNER
Vice Chairman,
Non-Independent
Non-Executive Director

THIERRY LEGRAND
Executive Director,
President &
Chief Executive Officer

MICHAEL LIM YOKE TUAN
Executive Director,
Chief Financial Officer

TAN SRI A. RAZAK BIN RAMLI
Senior Independent
Non-Executive Director

Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK
Independent,
Non-Executive Director

TAN SRI DR REBECCA FATIMA STA MARIA
Independent,
Non-Executive Director

BI YONG SO CHUNGUNCO
Non-Independent,
Non-Executive Director

DANIEL NIKOLAUS BACH
Non-Independent,
Non-Executive Director

DATUK MUHAMAD NOOR BIN HAMID
Independent,
Non-Executive Director

JEAN DESAZARS DE MONTGAILHARD
Non-Independent,
Non-Executive Director

KOH POI SAN
General Counsel and
Company Secretary

KATINA NURANI BINTI ABD RAHIM
Company Secretary

04 BOARD OF DIRECTORS' PROFILES

Y.A.M. TUNKU TAN SRI IMRAN IBNI ALMARHUM TUANKU JA'AFAR | Chairman, Independent Non-Executive Director

DKYR, PSM, SPNS, AMN, PJK

Age 69, Malaysian (Male)

Date Appointed to the Board: 16 July 1979
Years of Directorship: 38 years
Date of Last Reappointment : 24 May 2016
(pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012)
Number of Board Meetings attended in the Financial Year: 4/4

Qualifications:
- Bachelor of Law (Honours), Gray's Inn (Barrister-at-Law), Nottingham University, United Kingdom

Membership of the Board Committee:
- Remuneration and Nomination Committee (Member)

Present Directorship

Listed Entity:
- Aluminium Company of Malaysia Berhad (Chairman)

Other Public Companies: Nil

Professional Experience:
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar has held senior management positions with various companies including Perbadanan Nasional Berhad and Haw Par (Malaysia) Sdn Bhd from 1971 to 1976. He was the Chief Executive Officer of the Antah Group of Companies from 1976 until he stepped down at the end of February 2001.

MARTIN KRIEGNER | Vice Chairman, Non-Independent Non-Executive Director

Age 55, Austrian (Male)

Date Appointed to the Board: 26 August 2016
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 1/2

Qualifications :
- Doctorate in Law, Vienna University, Austria
- Master in Business Administration, Vienna University of Economics and Business, Austria

Membership of the Board Committee: Nil

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Martin Kriegner joined the Lafarge Group in 1990 and became the Chief Executive Officer of Lafarge Perlmooser AG, Austria in 1998. He then served as Chief Executive Officer of the Indian operations in 2002 and later served as Regional President Cement for Asia, based in Kuala Lumpur during which time he served as Non-Independent Non-Executive Director of Lafarge Malaysia from November 2008 to May 2012. In 2012, he was appointed Chief Executive Officer of Lafarge India for the Cement, RMX and Aggregates and on 1 March 2016, he served as Head of Indian operations of LafargeHolcim Ltd. He is now the Region Head for India and South East Asia and Exco Member of LafargeHolcim.

THIERRY LEGRAND | Executive Director, President & Chief Executive Officer

Age 50, French (Male)

Date Appointed to the Board: 14 August 2015
Years of Directorship: 2 years
Date of Last Reappointment: 24 May 2016
(pursuant to Article 91 of the Articles of Association of the Company)
Number of Board Meetings attended in the Financial Year: 4/4

Qualifications:
- Industrial Engineering, Ecole Nationale des Ponts et Chaussées, Paris, France
- Physics and Materials Sciences, Ecole Polytechnique, Paris, France

Membership of the Board Committee: Nil

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Thierry Legrand joined Lafarge in 1992 as an engineer in charge of cement plants automation followed by a role as process and production manager before being plant manager for three years. Subsequently he held the position of Human Resources Director, Lafarge Cements France. During his time there, he played an integral part in the development of talents for the Group to prepare for international growth. Having contributed 5 years to this role, he was Lafarge Plasterboard's General Manager for Germany and the Netherlands where the development of innovation and marketing positioning on technical segments in both countries were vital. His most recent roles were Chief Executive Officer of Lafarge South Africa from 2009 to 2014, and was Lafarge Group's Senior Vice President, Transformation Acceleration (Innovation) based in France, prior to his new appointment.

MICHAEL LIM YOKE TUAN | Executive Director, Chief Financial Officer

Age 53, Malaysian (Male)

Date Appointed to the Board: 26 February 2015
Years of Directorship: 2 years
Date of Last Reappointment : 24 May 2016
(pursuant to Article 91 of the Articles of Association of the Company)
Number of Board Meetings attended in the Financial Year: 4/4

Qualifications:
- Master of Science in Management (Sloan), London Business School, United Kingdom
- Master of Business Administration, University of Strathclyde, United Kingdom
- LLB (Honours), University of London, United Kingdom
- A Member of Malaysian Institute of Accountants
- A Fellow Member of the Chartered Institute of Management Accountant, United Kingdom, and Hong Kong Institute of Certified Public Accountants respectively

Membership of the Board Committee: Nil

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Michael Lim joined Lafarge Malaysia Berhad as Chief Financial Officer in October, 2014. Prior to joining Lafarge, he has worked as Chief Financial Officer for the Lion Group Malaysia, Sun Hung Kai Properties China, and CP (Chareon Pokhphand) Lotus Hong Kong respectively. He also served as Financial Controller for PepsiCo Greater China, Hutchision Whampao Hong Kong, Guoco Group Hong Kong, and Hong Leong Group Malaysia respectively.

TAN SRI A. RAZAK BIN RAMLI | Senior Independent Non-Executive Director

Age 68, Malaysian (Male)

Date Appointed to the Board: 9 November 2004
Years of Directorship: 13 years
Date of Last Reappointment : 24 May 2016
(pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012)
Number of Board Meetings attended in the Financial Year: 3/4

Qualifications:
- Bachelor of Business Administration (Hons) in Public Administration, University of Tasmania
- Diplome Gestion Publique, Institut International D'Administration Publique, Paris

Membership of the Board Committee:
- Remuneration and Nomination Committee (Chairman)
- Audit Committee (Member)

Present Directorship

Listed Entity:
- Shangri-La Hotels (Malaysia) Berhad
- Favelle Favco Berhad

Other Public Companies:
- Ophir Holdings Berhad
- ChemQuest Sdn Bhd (a subsidiary of PPB Group Berhad)

Professional Experience :
Tan Sri A. Razak Bin Ramli started his career in the Policy Research Division of the Malaysian Prime Minister's Department and subsequently held the position of Principal Assistant Director in both the Public Services Department and the Technical Cooperation Division of the Economic Planning Unit. From 1985 to October 2004, he held various positions in the Ministry of International Trade & Industry (MITI); his last position was as the Secretary-General of MITI.

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BOARD OF DIRECTORS' PROFILES

Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK | Independent, Non-Executive Director

Age 51, Malaysian (Female)

Date Appointed to the Board: 29 February 2016
Years of Directorship: 1 Year
Date of Last Reappointment : 24 May 2016
(pursuant to Article 91 of the Articles of Association of the Company)
Number of Board Meetings attended in the Financial Year (since date of appointment): 3/3

Qualifications:

- Bachelor in Science (Hons.), The City University (London), United Kingdom
- A Chartered Accountant from the Institute of Chartered Accountants in England and Wales
- A Member of the Malaysian Institute of Accountant

Membership of the Board Committee:

- Audit Committee (Chairman)

<u>Present Directorship</u>

Listed Entity:

- Gamuda Berhad
- Telekom Malaysia Berhad

Other Public Companies:

- Export-Import Bank of Malaysia Berhad
- i-VCAP Management Berhad

Professional Experience:

Y.M. Tunku Afwida Binti Tunku A.Malek is currently a director and shareholder of Asia Equity Research Sdn Bhd, a company licensed by Securities Commission of Malaysia to provide advisory services in corporate finance including compliance related and funding advisory related services. Prior to that, she was Chief Executive Officer and Executive Director of Kenanga Investment Bank Berhad from 2006 until 2008, Chief Executive Officer and Executive Director of MIMB Investment Bank Berhad from 2003 until 2006 and Executive Director and Chief Investment Officer of Commerce Asset Fund Managers Sdn Bhd from 1995 until 2003.

TAN SRI DR REBECCA FATIMA STA MARIA | Independent, Non-Executive Director

Age 59, Malaysian (Female)

Date Appointed to the Board: 29 November 2016
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 1/1

Qualifications :

- Ph.D, University of Georgia in Athens, United States of America
- M.S. (Counselling), Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia), Malaysia
- English Literature, B.A. (Hons), University Malaya, Malaysia
- Diploma in Public Administration, National Institute of Public Administration (INTAN), Malaysia

Membership of the Board Committee:

- Remuneration and Nomination Committee (Member)

<u>Present Directorship</u>

Listed Entity:

- RHB Bank Berhad
- Sunway Construction Group Berhad
- Hartalega Holdings Berhad

Other Public Companies: Nil

Professional Experience:

Tan Sri Dr Rebecca Fatima Sta Maria, began her career in the Malaysian Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In the course of her civil service career, she had a brief stint as the Chief Administration and Procurement Officer of the ASEAN Plant Quarantine and Training Centre, and contributed to human capital development at the National Institute of Public Administration (INTAN).

She retired as the Secretary-General of the Ministry of International Trade and Industry on 2 July 2016. As MITI Secretary-General, a post she held since December 2010, she provided oversight for the formulation and implementation of Malaysia's international trade policies and positions. This involved Malaysia's participation in bilateral, regional (ASEAN, APEC, OIC) and multilateral (World Trade Organisation) fora. She was the ASEAN Chair for the ASEAN-India Trade in Goods Agreement, Chief Negotiator for the bilateral free trade agreements with India and Turkey. She also provided oversight for the TPP negotiations and other bilateral and regional FTAs, including the Regional Comprehensive Economic Partnership between ASEAN and her six FTA partners.

On the regional front, she had a key role in ASEAN economic integration and chaired the ASEAN Senior Economic Officials Meeting as well as the ASEAN High Level Task Force for Economic Integration.

She is Senior Policy Fellow for the Economic Research Institute for ASEAN and East Asia (ERIA). She serves on the Board of Trustees of MyKasih, an NGO that focuses on alleviating urban poverty; and Council Member of the Institute for Democracy and Economic Affairs (IDEAS).

BI YONG SO CHUNGUNCO | Non-Independent, Non-Executive Director

Age 54, Filipino (Female)

Date Appointed to the Board: 27 August 2015
Years of Directorship: 2 years
Date of Last Reappointment : 24 May 2016 *(pursuant to Article 91 of the Articles of Association of the Company)*
Number of Board Meetings attended in the Financial Year: 3/4

Qualifications:
- Bachelor of Science in Legal Management (Ateneo De Manila University)
- Bachelor of Laws (Ateneo College of Law)

Membership of the Board Committee:
- Audit Committee (Member)
- Remuneration and Nomination Committee (Member)

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Bi Yong So Chungunco is currently the Head of Divestments of the LafargeHolcim Group mainly in the Asia-Pacific region. From July 2015 to March 2016, she was the Area Manager, South East Asia (West) of LafargeHolcim Group, overseeing the operations in Malaysia, Singapore, Bangladesh, Sri Lanka, and Myanmar and also served as the Corporate Secretary of Lafarge S.A. Prior to this, she was the Senior Vice President, Group General Counsel of Lafarge S.A. based in Paris, France.

She joined the Lafarge Group in 2002 as Senior Vice President for Legal, Corporate Governance & External Relations of the Lafarge affiliated company in Philippines. From 2004 to 2007, she was Group Regional Counsel and then Deputy General Counsel of Lafarge, overseeing from Paris the merger and acquisition transaction of the Group and coordinating the worldwide legal network. From 2008 to 2012, she was Executive Director, President and Chief Executive Officer of Lafarge Malayan Cement Berhad. Before joining Lafarge Group, she was a Director, Treasurer and Senior Vice President- Legal of Jardine Davies Inc., a subsidiary of Jardine Matheson Group listed in the Philippines. During this period, she was President of the Tax Management Association of the Philippines, a national organisation of tax practitioners in the Philippines. A lawyer by training, she worked in various law firms prior to joining companies' position. She holds various Directorships in the subsidiaries of LafargeHolcim Group and she is also an Independent Director and a Member of the Ethics, Compliance and Sustainability Committee of Alstom S.A.

DANIEL NIKOLAUS BACH | Non-Independent, Non-Executive Director

Age 54, Swiss (Male)

Date Appointed to the Board: 26 August 2016
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 1/2

Qualifications:
- PhD in Mechanical Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Degree in Mechanical Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

Membership of the Board Committee:
- Audit Committee (Member)

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Daniel Nikolaus Bach is currently the Area Manager South East Asia and China (Huaxin). He joined LafargeHolcim Group as Project Manager in 1994. In 1998, he moved to Corporate Business Risk Management and in 2002 was made Technical Director for Holcim Indonesia. From 2004 – 2007, Daniel Bach acted as assistant to a member of the Holcim Executive Committee before being appointed Senior VP Manufacturing for Holcim Philippines in 2007 and General Director of Holcim Romania in 2010. He became Area Manager South East Asia in 2014 and received responsibilities over China (Huaxin) during 2016.

BOARD OF DIRECTORS' PROFILES

DATUK MUHAMAD NOOR BIN HAMID | Independent, Non-Executive Director

Age 65, Malaysian (Male)

Date Appointed to the Board: 21 February 2017
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 0/0

Qualifications:
- Post Graduate Diploma Gas Eng. Technology, Institute of Gas Technology, Chicago, United States of America
- Bachelor of Science (Hons) in Mechanical Engineering, Sunderland Polytechnic, Sunderland, England

Membership of the Board Committee:
- Audit Committee (Member)

Present Directorship

Listed Entity:
- Malakoff Corporation Berhad
- SapuraKencana Petroleum Berhad

Other Public Companies: Nil

Professional Experience:
Datuk Muhamad Noor Bin Hamid has more than 30 years of direct working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting. His latest position was the Managing Director of Gas Malaysia Sdn Bhd responsible for the overall management of all strategic issues of the Company. He was appointed as the Managing Director in April 2006.

He has held numerous positions in Petronas Gas Bhd, including Head of the PGU II pipeline project team and Head of the Transmission Division responsible for the whole pipeline operation in Malaysia. He also worked in OGP Technical Services Sdn Bhd, a Petronas/Novacorp joint venture company, where he was the General Manager of the Pipeline Division. His expertise has taken him to overseas assignments mainly in Sudan and Thailand. He left Petronas in 2000.

Prior to joining Gas Malaysia, Datuk Muhamad Noor was the Chief Operating Officer of Projass Engineering Sdn Bhd, a class A Bumiputra contractor involved in infrastructure, electrical and oil and gas construction.

JEAN DESAZARS DE MONTGAILHARD | Non-Independent, Non-Executive Director

Age 64, French (Male)

Date Appointed to the Board: 29 November 2016
Years of Directorship: Not more than one (1) year
Number of Board Meetings attended in the Financial Year (since date of appointment): 0/0

Qualifications:
- Ecole Nationale de Administration, Paris, France
- Institut d'Études Politiques de Paris, Paris, France
- Licence and DES in Economics, University of Paris 3 Panthéon Sorbonne, Paris, France

Membership of the Board Committee:
- Remuneration and Nomination Committee (Member)

Present Directorship

Listed Entity: Nil

Other Public Companies: Nil

Professional Experience:
Jean Desazars de Montgailhard was the Special Adviser to the LafargeHolcim Group Chief Executive Officer, responsible for divestment in India, Sri Lanka and Chile from July 2015 to December 2016. He started his career as a Diplomat at French Ministry of Foreign Affairs from 1979 until 1989; specialised in multilateral negotiations, defense issues and arms control. He joined Lafarge Group in 1989 as Vice President Strategic Planning and Development and subsequently held various senior managerial positions. From 1996 to 2006, he was a Group delegate for Asia Pacific, and then Regional President for Asia Pacific and Africa. He assumed the role as Group Executive Vice President and Member of the Executive Committee of Lafarge from 2006 to July 2015; responsible for strategy, development, mergers & acquisition, sustainable development and public affairs.

Save as disclosed, none of the Directors has:-
1. *Any family relationship with any directors and/or major shareholders of the Company;*
2. *Any conviction for offences within the past five years other than traffic offences; and*
3. *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

COMPANY SECRETARIES' PROFILES 04

KOH POI SAN | General Counsel and Company Secretary
Age 41, Malaysian (Female)

Date of Appointment as Company Secretary: 1 September 2012

Qualifications:
- LLB (Honours), University of London, United Kingdom
- Certificate in Legal Practice
- Diploma in Investment Analysis, Research Institute of Investment Analysis Malaysia jointly with Royal Melbourne Institute of Technology

Directorship in Public Listed Companies: Nil

Professional Experience:
Koh Poi San was admitted as an Advocate & Solicitor of the High Court of Malaya in December 2000 after which she practised in Kadir Andri & Partners from December 2000 to December 2011, as a legal assistant and was made partner in January 2010 specialising in mergers & acquisitions and equity capital markets. She joined Lafarge Malaysia Berhad as Senior Legal Counsel in January 2012 and was appointed General Counsel & Company Secretary in September 2012. Since February 2016, her role was enlarged to include the land management portfolio of Lafarge Malaysia group. She is a licensed secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001.

KATINA NURANI BINTI ABD RAHIM | Company Secretary
Age 42, Malaysian (Female)

Date of Appointment as Company Secretary: 15 August 2011

Qualifications:
- LLB (Honours), University of Nottingham, United Kingdom
- Bar Vocational Course, University of Wales, Cardiff, United Kingdom
- Barrister-at-Law of England & Wales (Lincoln's Inn)

Directorship in Public Listed Companies: Nil

Professional Experience:
Katina Nurani Binti Abd Rahim was admitted as an Advocate & Solicitor of the High Court of Malaya in 1999 after which she practiced in several law firms in Kuala Lumpur before joining the Usaha Tegas Group as Legal Counsel in 2005. She then joined Lafarge Malaysia as Manager, Legal & Secretarial in 2011 and is now Senior Manager, Legal – Cement & Drymix. She is a licensed secretary under Section 20(G) of the Companies Commission of Malaysia Act 2001.

04 EXECUTIVE COMMITTEE

Rey Cervera
Logistics & Procurement Director

Yeap Khoon Cheun
Retail Sales Director

Mariano Garcia Hoyos
Industrial Director

Thierry Legrand
President & Chief Executive Officer

04
EXECUTIVE COMMITTEE

Michael Lim Yoke Tuan
Chief Financial Officer

Rick Pucci
Concrete & Infrastructure Director

Choong Ju Tang
Industrial Sales Director

Shirley Low
Marketing Director

Aida Mohamed
Organisation & Human Resource Director

04 EXECUTIVE COMMITTEE PROFILES

THIERRY LEGRAND | President & Chief Executive Officer

Please refer to Thierry's Profile on page 22 of the Annual Report.

MICHAEL LIM YOKE TUAN | Chief Financial Officer

Please refer to Michael's Profile on page 23 of the Annual Report.

REY CERVERA | Logistics & Procurement Director

Age 45, Filipino (Male)

Date of Appointment to the Management Team: 1 January 2016

Qualifications:

- Master in Business Administration, University of Philippines
- Bachelor of Science in Chemical Engineering, University of Philippines

Directorship in Public Listed Companies: Nil

Professional Experience:

Rey held various management positions in Industrial, Commercial and Logistics in Holcim Philippines prior to his move to Holcim Group Services based in Zurich in 2012 as the Assistant to Executive Committee member for Asia Pacific region.

CHOONG JU TANG | Industrial Sales Director

Age 43, Malaysian (Male)

Date of Appointment to the Management Team: 1 April 2012

Qualifications:

- Degree in Business, University of Southern Queensland, Australia

Directorship in Public Listed Companies: Nil

Professional Experience:

Choong Ju Tang or better known as JT started his career with Lafarge Concrete (Malaysia) Sdn Bhd (a subsidiary of Lafarge Malaysia) in September 1996. In 2001, he was appointed Business Development Manager for Concrete. Following that, in January 2004, he was seconded to manage the first aggregates business (sand mining operations) for Lafarge in Malaysia. Subsequently, as the business grew to four quarries, he was promoted to Commercial Manager for the Aggregates business unit, a position he held until his appointment as the Aggregates Business Development Manager for South-East Asia in January 2008. In July 2009, he returned to the Concrete business unit as General Manager for Peninsular Malaysia, which covered the spectrum of operations and sales of the ready-mixed business.

MARIANO GARCIA HOYOS | Industrial Director

Age 44, Spanish (Male)

Date of Appointment to the Management Team: 1 September 2014

Qualifications:

- Master's Degree in Engineering, Universidad Politécnica de Madrid, Portugal
- EscuelaTécnica Superior de Ingenieros Industriales (Energy Specialisation), de Madrid, Portugal

Directorship in Public Listed Companies: Nil

Professional Experience:

With more than 16 years of working experience, Mariano joined the Lafarge Group in 2004 as Project Manager with Lafarge Spain. Mariano has held various management positions in Spain and Jordan. He was the Plant Manager in Villaluenga Plant and La Parrilla Grinding Station at Lafarge Spain from March 2012 to August 2014.

EXECUTIVE COMMITTEE PROFILES

SHIRLEY LOW | Marketing Director
Age 50, Malaysian (Female)

Date of Appointment to the Management Team: 26 January 2013

Qualifications:
- Master in Business Administration, Universiti Kebangsaan Malaysia
- Double Degree in Law and Economics, University of Keele, United Kingdom

Directorship in Public Listed Companies: Nil

Professional Experience:
Shirley is a well-rounded Marketer with extensive Sales, Marketing and Trade Marketing experience. Shirley has worked in various leadership roles in the FMCG industry with leading companies such as Nike, GlaxoSmithKline and Guinness Anchor Berhad with a proven track record of revolutionising ways of working to deliver exceptional performance. Her successes include putting in place sound channel strategies to accelerate channel performance, leading cross-functional teams to work together to achieve stretched targets, and developing and executing state-of-the-art commercial and activation programmes.

AIDA MOHAMED | Organisation & Human Resource Director
Age 46, Malaysian (Female)

Date of Appointment to the Management Team: 1 February 2014

Qualifications:
- B.Sc Management, Purdue University, United State of America
- Diploma in Human Resources, Malaysian Institute of Human Resource Management

Directorship in Public Listed Companies: Nil

Professional Experience:
Aida joined Lafarge Malaysia in 2001. She is a proficient HR practitioner, having experience in the different facets of HR. In her years with Lafarge, Aida has worked across the different business units, including a 2-year stint with Lafarge Asia Regional Office, giving her a comprehensive understanding of the business locally and regionally.

RICK PUCCI | Concrete & Infrastructure Director
Age 45, Canadian (Male)

Date of Appointment to the Management Team: 1 January 2013

Qualifications:
- Degree in Civil Engineering Degree, Queen's University, Canada
- Professional Engineer's Designation (P.Eng), Canada

Directorship in Public Listed Companies: Nil

Professional Experience:
Rick spent his entire 19-year career working solely with Lafarge and most of it was in his homeland, Canada, holding various positions including General Management, Quality, Performance and Operations. In 2009, Rick moved to Malaysia where he held the position of Industrial Director Concrete for South East Asia. In 2011, Rick moved on to the position of General Manager Infrastructure & Special Projects, a division dedicated to high profile construction projects in South East Asia. Prior to his move to Malaysia, Rick's first expatriate assignment was in Italy where he was appointed as General Manager of Lafarge Calcestruzzi, managing the aggregates and concrete business.

YEAP KHOON CHEUN | Retail Sales Director
Age 50, Malaysian (Male)

Date of Appointment to the Management Team: 1 April 2012

Qualifications:
- Degree in Finance, University Sains Malaysia, Malaysia

Directorship in Public Listed Companies: Nil

Professional Experience:
Yeap started his sales career in the glass and metal roofing industry. In 1992, he joined CMCM Perniagaan Sdn Bhd (a subsidiary of Lafarge Malaysia, specialising in the marketing of cement and construction/building materials). In 2001, he was appointed Senior Manager, Sales, Lafarge Cement Sdn Bhd (also a subsidiary of Lafarge Malaysia) and was responsible for the company's national sales activities.

Save as disclosed, none of the Management Executive Committee has:-

1. *Any family relationship with any directors and/or major shareholders of the Company;*
2. *Any conviction for offences within the past five years other than traffic offences; and*
3. *Any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*

05 CORPORATE GOVERNANCE **STATEMENT**

INTRODUCTION

The Board of Directors ("Board") of Lafarge Malaysia Berhad ("Company") believes that a sound corporate governance structure is vital to ensure sustainability as well as business growth. Hence, the Board continues to be fully committed to maintaining a high standard of corporate governance within the Company through its support and application of the principles and best practices in corporate governance as set out in the Malaysian Code on Corporate Governance 2012 ("Code"). The Board shall also continue to evaluate its governance practices in response to evolving best practices and changing requirements. The Board is pleased to report on the extent to which the principles, best practices and recommendations of the Code were applied throughout the financial year ended 31 December 2016 ("FY2016") in this Corporate Governance Statement ("Statement").

A. BOARD OF DIRECTORS

Board Composition, Balance and Diversity *(Recommendation 3.5 of the Code)*
Presently, the Board consists of 11 members comprising 2 Executive Directors and 9 Non-Executive Directors, 5 of whom are Independent Directors. This is in compliance with paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") which requires at least 2 Directors or one-third of the membership of the Board to be independent, whichever is the higher. The Chairman of the Board and Chairmen of the Board Committees are all Independent Non-Executive Directors.

The Company continues to have a strong Board consisting of qualified individuals with a good mix of technical and commercial experience. The members of the Board have backgrounds in mechanical engineering, industrial engineering, law, civil services, diplomacy, corporate finance and accountancy. They have both local and international operational experience and together, they bring a wide range of competencies, capabilities, technical skills and relevant business experience to ensure that the Company continues to be a competitive leader within the industry with a strong reputation for technical and professional competence.

The Board also has understanding of the nature of the industry in which the Company operates, and an understanding of the health, safety, environmental and community challenges that the Company faces to ensure that the long term interests of the shareholders and other stakeholders in the Company are safeguarded. A brief profile of each Director is presented on pages 22 to 26 of this Annual Report.

The Board considers the size of the Board to be appropriate and that the composition fairly reflects the investment of minority shareholders. The proportion of independent directors ensures effective check and balance on the Board with the independent directors acting as caretakers for minority shareholders who provide unbiased perspectives and encourage constructive discussion on proposals.

In evaluating candidates for appointment to the Board, the Remuneration & Nomination Committee and the Board evaluates and matches the criteria of the candidate based on the needs of the Board against the candidate's experience, skills, competencies, knowledge and potential contributions. The Remuneration & Nomination Committee also considers boardroom diversity (including gender, ethnicity and age) when evaluating the candidate. The Board acknowledges the importance of the recommendation of the Code pertaining to the establishment of a gender diversity policy and supports a policy of non-discrimination on the basis of race, religion and gender. The Board is pleased to report that there have been 3 women directors on the Board since 29 February 2016.

Board Charter *(Recommendations 1.1 and 1.7 of the Code)*
The Board Charter formalises and sets out the role and responsibilities, composition, operation and processes of the Board. The Board Charter is reviewed periodically and at least once in a year to ensure that any updates on relevant laws and regulations are duly incorporated. The latest version of the Board Charter was reviewed and approved by the Board on 29 November 2016 and prior to that, the Board Charter was reviewed on 29 February 2016. The details of the Board Charter are available for reference at www.lafarge.com.my.

Role and Responsibilities of the Board *(Recommendation 1.1 of the Code)*
The Board represents the stakeholders and promotes and protects the interests of the Company. As a fundamental part of discharging its responsibilities, the Board is committed to high standards of corporate governance and strives to ensure that these high standards are practiced throughout the Company. The Board endeavours to protect and enhance stakeholders' value and raise the performance of the Company.

The Board in discharging its duties has adopted the following objectives:

i. Reviewing and overseeing the implementation of a strategic business plan for the Company *(Recommendation 1.2 of the Code)*
The Board plays an active role in the development of the Company's strategy. The Company's proposed strategies, budgets, capital expenditure spending, related party transactions, and business plans for each financial year are presented to the Board during the Board meetings and the Board reviews and deliberates on management's proposals and recommendations. From time to time, management will also present additional strategic topics which are of concern to the Company's business for discussion with the Board.

ii. Monitoring the operational performance of the Company *(Recommendation 1.2 of the Code)*
Quarterly financial statements are reviewed by the Audit Committee, who subsequently recommends them to the Board for their consideration and approval. Quarterly reports containing key financial results, operational performance indicators and budget comparisons are also presented to the Board to enable them to have regular and updated information of the Company's performance.

iii. Overseeing the conduct of the Company's business to evaluate whether our businesses are being properly managed *(Recommendation 1.2 of the Code)*
On a quarterly basis, the Chief Executive Officer ("CEO"), along with other members of Management presents reports to the Board on various management issues such as the Company's health & safety performance, commercial performance, industrial performance and other matters of strategic importance. The Board also receives a comprehensive summary of the Company's financial performance during each reporting period. The relevant members of the Management team will be in attendance at the Board Meeting to support the CEO in presenting these updates and to provide clarifications on the challenges and issues raised by the Board.

iv. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks *(Recommendation 6.1 of the Code)*
The Board has oversight of the internal control and risk management framework of the Company. The Company, through its Internal Control Department, has an embedded process for the identification, evaluation and reporting of the major business risks within the Company. Policies and procedures have been laid down for the regular review and management of these risks. Regular reviews of the most significant areas of risk are undertaken to ensure that key control objectives remain in place. The Board is apprised of the major business risks identified, the mitigating factors put in place and the action plans taken to mitigate the risks identified. Details of the Company's risk management framework are set out in the Statement on Internal Control and Risk Management.

v. Succession planning, including appointing, training, fixing the compensation of directors *(Recommendations 2.2 and 2.3 of the Code)*
The Board, through the Remuneration & Nomination ("R&N") Committee, is responsible for ensuring that there is an effective and orderly succession planning in the Company. The R&N Committee reviews candidates for key management positions and formulates nomination, selection and succession policies for members of the Board. The Board then deliberates on the R&N Committee's recommendations. Further details on the appointment process of Directors, succession planning and training of Directors is set out in pages 43 to 46 of this Statement.

The R&N Committee is also responsible for determining the remuneration for both the Executive Directors and the Non-Executive Directors. Details on the remuneration policy employed by the R&N Committee is set out in page 38 of this Statement.

vi. Reviewing and overseeing the implementation of the appropriate corporate disclosure procedures *(Recommendation 7.1 of the Code)*

The Company is guided by the Corporate Disclosure Policy for Directors issued by Bursa Malaysia to promote timely and high quality disclosure of material information to the public. There is a process for the preparation of announcements to Bursa Malaysia, which is coordinated between the Legal & Secretarial, Finance, Strategy and Communications departments to ensure that the information disclosed is properly verified before it is disseminated. Approval of the Board will be obtained for the release of certain announcements when appropriate.

vii. Reviewing the adequacy and the integrity of our Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines *(Recommendation 6.1 of the Code)*

The Board has oversight of the internal control and risk management framework of the Company and is ultimately responsible for the adequacy and integrity of the Company's internal control system. Details pertaining to the Company's internal control system and its effectiveness are available in the Statement on Internal Control and Risk Management.

viii. Monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting *(Recommendation 5.1 of the Code)*

Integrity is one of the core values that the Company has defined as a building block for its corporate culture which describes who it is, what it does and how it behaves. As a multinational organization the Company assures that the integrity of the Company's financial and other reporting including the Annual Report are in line with the governance recommended by the Code and is safeguarded through the guidance and conduct of the Internal Control Department and the Board Committees and audited by the external auditors. The Board, through the Audit Committee, oversees the process and the integrity and quality of the financial reporting, annually and quarterly. The Audit Committee reviews the audited financial statements to ensure completeness, accuracy and adequacy in the presence of external auditors and reviews the quarterly announcements of results in the presence of internal auditors before recommending the same for the Board's approval.

ix. Ensuring that the Company's financial statements are true and fair and conform with the accounting standards; and ensuring that the Company adheres to high standards of ethics and corporate behavior *(Recommendation 5.1 of the Code)*

The Board is kept informed and updated of the Company key strategic developments, operational issues and financial performance at each of the quarterly meetings and through circular resolution in between scheduled meetings during the financial year. The Company's financial statements for each financial year are presented and tabled for approval of the Board. In FY2016, the Company's Auditors, Deloitte attended the Audit Committee meetings three times to present the Company's draft audited accounts for the Audit Committee's approval, to present the Audit Plan Memorandum for FY2016, and to report on the New Audit Requirements which shall affect the audit for FY2016. Hence the Board is assured that the Company's financial statements are true and fair and conform to the accounting standards and adhere to high standards of ethics and corporate behavior. The Directors' Responsibility Statement for the audited financial statements of the Company is set out on page 66 of the Annual Report. The details of the Company's financial statements for FY2016 can be found from pages 60 to 164 of the Annual Report.

x. Reviewing the independence, suitability, objectivity and cost effectiveness of the external auditors before approving their re-appointment and remuneration *(Recommendation 5.1 of the Code)*

The Audit Committee reviews the independence, suitability, objectivity and cost effectiveness of the external auditors before approving their remuneration and recommending their appointment to the Board. The Audit Committee scrutinizes and discusses the external auditors' annual fees before recommending the same to the Board for approval. The suitability and independence of the external auditors is reviewed by the Audit Committee during the discussion of the Audit Plan which is carried out annually. The factors for consideration include the competency, adequacy of experience and resources of the firm and professional staff assigned to perform the audit, and the level of non-audit services to be rendered by the external auditors.

Clear Functions Reserved for the Board and Delegated to Management *(Recommendation 1.2 of the Code)*
Specific matters of strategic importance or with material impact is presented for review and approval by the Board. Such matters include transactions exceeding the authority delegated to the CEO, unbudgeted capital expenditure for amounts in excess of RM1 million and budgeted capital expenditure for amounts in excess of RM5 million, strategic business plan and annual budget, audited and quarterly financial statements, dividends, equity investments/divestments and related party transactions. In respect of the management of the Company, the Board has delegated to the CEO and members of Management, inter alia, developing the Company's strategy and overall commercial objectives, the authority to approve operational expenditure, capital expenditure within the approved limits, authority to execute contracts for operational, procurement, and human resources matters. The LafargeHolcim Group's limits of authority sets out the specific approval thresholds for management decisions and it is regularly reviewed to reflect the dynamic changes within the Group.

Separation of positions of the Chairman and CEO *(Recommendations 1.1, 1.2 and 3.4 of the Code)*
To ensure a balance of power and authority, there is a clear division of responsibility between the Chairman and the President & Chief Executive Officer. The division of duties is spelt out in the Directors' Manual. The Board is led by an Independent Chairman, Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar who has never assumed an executive position in the Company. The executive management of the Company is led by Mr Thierry Legrand, the President & CEO.

A Statement of Division of Responsibilities between the Chairman and the CEO is set out below:

	CHAIRMAN	CEO
1.	**Reporting Lines**	
1.1	The Chairman reports to the Board.	The CEO reports to the Chairman (acting on behalf of the Board) and to the Board directly.
1.2	The Chairman is not responsible for executive matters regarding the Company's business.	The CEO is responsible for all executive management matters affecting the Company. All Excom members report directly to him.
2.	**Key Responsibilities**	
2.1	The Chairman's principal responsibility is the effective running of the Board.	The CEO's principal responsibility is the effective running of the Company's business.
2.2	The Chairman is responsible for ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Company's strategy and overall commercial objectives.	The CEO is responsible for proposing and developing the Company's strategy and overall commercial objectives.
2.3	The Chairman is the guardian of the Board's decision making process.	The CEO, together with the Excom members, are responsible for implementing the decision of the Board and its committees.
3.	**Other Responsibilities**	
3.1	Running the Board and setting its agenda.	Providing input to the Board's agenda.
3.2	Ensuring that Board agendas take full account of the important issues facing the Company and the concerns of all Board members.	Ensuring that he maintains a dialogue with the Chairman on the important and strategic issues facing the Company, and proposing Board agendas to the Chairman which reflect these issues.

	CHAIRMAN	CEO
3.	**Other Responsibilities**	
3.3	Ensuring that the Board receives accurate, timely and clear information on: • The Company's performance; • The issues, challenges and opportunities facing the Company; and • Matters reserved to it for decision.	Ensuring that the Excom members give appropriate priority to providing reports to the Board which contain accurate, timely and clear information.
3.4	Ensuring with the advice of the company secretary, where appropriate, compliance with the Board's approved procedures.	Ensuring in consultation with the Chairman and the Company Secretary as appropriate, that he and the Excom members comply with the Board's approved procedures.
3.5	Arranging informal meetings of the Directors, including meetings of the non-executive Directors at which the Executive Directors are not present, as required to ensure that sufficient time and consideration is given to complex, contentious or sensitive issues.	Ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Company of which he might not otherwise be aware.
3.6	Promoting the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.	Promoting and conducting the affairs of the Company with the highest standards of integrity, probity and corporate governance.

Formalise Ethical Standard through Code of Ethics *(Recommendation 1.3 of the Code)*

The Company's business values and expectations from employees are derived from its vision and commitments. Specific principles and procedures in the manner the Company conducts its business are clearly spelt out in the LafargeHolcim Group Code of Business Conduct. The Code of Business Conduct is designed to set a certain standard for all employees and officers of the Company as well as all persons that provide goods and services to the Company. This Code promotes:

– Integrity in the workplace with focus on:
  - Health & safety
  - Diversity, fairness and respect
  - Protection of Company assets
  - Information systems, email and social media
– Integrity in business practices with focus on:
  - Anti-bribery and anti-corruption
  - Gifts and hospitality
  - Fair competition
  - Accurate recording and reporting
  - Conflicts of interest
  - Insider trading
  - Conducting international business
  - Preventing money laundering
– Integrity in the community with focus on:
  - Environment
  - Human rights
  - Community engagement

In addition to the Code of Business Conduct, the Directors also observe the Company Director's Code of Ethics established by the Companies Commission of Malaysia and adopted in the Directors' Manual.

In addition to the Code of Business Conduct, in July 2016, the LafargeHolcim Group issued the Anti-Bribery and Corruption Directive ("ABC Directive") which must be observed by all LafargeHolcim directors and employees at all times. The ABC Directive is a policy to conduct business in an honest and ethical manner. As part of the LafargeHolcim Group, the Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. The Company is also committed to implementing and enforcing effective systems to counter bribery. The ABC Directive set out the responsibilities of the Company and its employees, in observing and upholding the Group's position on bribery and corruption, and provide information and guidance to those working for the Company, whether directly or indirectly, on how to recognize and deal with bribery and corruption issues.

In July 2016, the LafargeHolcim Group Compliance also issued a Third Party Due Diligence ("TPDD") Directive which sets out the relevant mandatory principles, the necessary guidance as well as the measures needed to take to protect the Company when engaging and dealing with Third Parties, particularly those interacting on the Company's behalf with Public Officials. The process is supported by a web based TPDD tool which enables users to fulfill and document all the requirements set out in the TPDD Directive.

Whistleblowing Policy & Integrity Line *(Recommendation 1.3 of the Code)*
The LafargeHolcim Group had on 20 October 2016 launched its very first Integrity Line in addition to the existing Group Whistleblowing Policy. It is one of the platforms to further support the Group's commitment to doing business with integrity. It is a global business ethics advice and reporting system accessible to all the Group employees. It is an official line available to all employees and external parties to report any misconduct in the business activities and this policy will protect them in their roles as whistleblowers.

Further details in relation to this channel available to external parties and stakeholders are available online at https://integrity.lafargeholcim.com/

Strategies Promoting Sustainability *(Recommendation 1.4 of the Code)*
The Board believes sustainability is integral to the long-term success of the Company. The Company has published a Sustainability Report to signify its commitment to sustainability development. The Report brings with it very concrete objectives that are designed to contribute visibly and significantly to society, with a strong focus on climate change. Further information on the Company's sustainability activities can be found in section 03 of this Annual Report. Further to the Sustainability Report, the LafargeHolcim Group also launched "The 2030 Plan" and Environmental Policy on 25 January 2017. The plan focuses on how the LafargeHolcim Group can improve the sustainability of its operations and come up with innovative, sustainable solutions for better building and infrastructure to enhance environmental and social performance. It is a plan which will take the Group beyond its business activities to a wider industry. Ultimately, the plan hopes to help the Group do better – for communities and the planet, along with the Group business.

Access to Information and Advice *(Recommendation 1.5 of the Code)*
All Directors have unrestricted and timely access to all information concerning the Company and the Company's business and affairs necessary for the discharge of their responsibilities. The Board meets on a quarterly basis and additionally as and when required. Prior to the Board meetings, all Directors are furnished with the Agenda which sets out the matters to be discussed not less than seven (7) days prior to the meetings. Detailed board papers that contain relevant qualitative and/or quantitative information for the Agenda are also circulated to the Directors simultaneously to give Directors time to review the reports, obtain further clarification if necessary and enable focused and constructive deliberation at Board meetings.

All proceedings of Board meetings are minuted and signed by the Chairmen of the meetings in accordance with the provisions of the Companies Act, 2016. Minutes of meetings of each Committee are also tabled to the Board for perusal and the Directors may request clarification or raise comments on the minutes wherever necessary. All the Directors are also encouraged to obtain an independent professional advice at the Company's expense in furtherance of their duties.

Qualified and Competent Company Secretaries *(Recommendation 1.6 of the Code)*
Both Company Secretaries of the Company have legal credentials, and are qualified to act as company secretary under Section 235 of the Companies Act 2016. All Directors have access to the advice and services of the Company Secretary in carrying out their duties. The Company Secretary facilitates overall compliance with the Listing Requirements and the Companies Act 2016. In performing this duty, the Company Secretaries carries out the statutory duties as specified under the Companies Act 2016 and the Listing Requirements, play an advisory role to the Board, particularly with regard to the Company's constitution, Board policies and procedures, and its compliance with regulatory requirements, codes, guidance and legislation, attends the Board and Board Committee meetings and ensures that all the Board meetings are properly convened and proceedings are properly recorded, ensures that all appointments to the Board and Committees are properly made, maintains records for the purposes of meeting statutory obligations, and facilitates the provision of information as may be requested by the Directors from time to time. A brief profile of each Company Secretary is presented on page 27 of this Annual Report.

Directors' Remuneration *(Recommendation 2.3 of the Code)*
The Board has a formal and transparent remuneration policies and procedures to attract and retain directors. The R&N Committee is responsible for determining the remuneration for both the Executive and Non-Executive Directors. The R&N Committee reviews the compensation and remuneration package for the Executive Directors annually and recommends the packages to the Board for approval. Generally, the remuneration of the Executive Directors are linked to the Company's performance, the achievement of specific goals related to their respective performance, the performance of the Company and market conditions and is benchmarked against the remunerations of other companies in similar industries of similar size.

The remuneration of Non-Executive Directors is benchmarked against other public listed companies of similar size and/or industry. The R&N Committee also considers various other factors including the level of responsibilities undertaken by the Director and time commitments expected of him/her. The remuneration of Non-Executive Directors was last reviewed by the R&N Committee and approved by the Board on 29 February 2016 and ratified by the shareholders at the Annual General Meeting on 24 May 2016.

The remuneration policy of the Company includes the following:-

<table>
<tr><th>Executives Directors</th><th>Non-Executives Directors</th></tr>
<tr><td>i. Following a benchmarking exercise and recommendation by the Company's Human Resources Director, the R&N Committee considers and recommends to the Board for approval, the framework for the Executive Directors' remuneration and final remuneration package

ii. Executive Directors receive performance bonuses based on the achievement of specific goals related to their respective performance as well as the performance of the Company

iii. The Executive Directors' remuneration package comprises fees, benefits-in kind and other emoluments

iv. The Chief Executives' performance bonus in respect of each financial year is reviewed and approved by the R&N Committee, for recommendation to the Board in the first quarter of each financial year</td><td>i. Non-Executive Directors receive directors' fees. They do not receive any performance related remuneration. Any increase in the Non-Executive Directors' fees is recommended by the R&N Committee and approved by the Board and ratified by the shareholders' at the annual general meeting

ii. The Non-Executive Directors' remuneration reflects the level of responsibilities undertaken by the Non-Executive Director and time commitments expected of him/her, and is benchmarked against other public listed companies of similar size and/or industry

iii. The remuneration for the Non-Executive Directors of the Board and members of the Board Committees which was approved by the shareholders at the 66th AGM held on 24 May 2016 are as follows:
• Non-Executive Chairman RM126,000 p.a.
• Non-Executive Directors RM55,125 p.a.
• Chairman of Audit Committee RM22,750 p.a.
• Members of Audit Committee RM15,600 p.a.
• Chairman of R&N Committee RM12,600 p.a.
• Members of R&N Committee RM5,250 p.a.</td></tr>
</table>

Details of Directors' remuneration (including benefits-in-kind) and the aggregate remuneration of Directors in respective bands for FY2016 are as follows:

(a) Aggregate remuneration of Non-Executive Directors categorised into appropriate components:-

	Salary (RM)	Directors' Fees & Other Remuneration (RM)	*Others Emoluments (RM)	Benefits-In Kind (RM)	Total (RM)
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	-	131,250			
Martin Kriegner	-	-	-	-	-
Tan Sri A. Razak bin Ramli	-	83,325			
YM Tunku Afwida Binti Tunku A.Malek	-	77,875			
Tan Sri Dr Rebecca Fatima Sta Maria	-	#13,781			
Datuk Muhamad Noor Bin Hamid	-	^N/A			
Bi Yong So Chungunco	-	-	-	-	-
Daniel Nikolaus Bach	-	-	-	-	-
Jean Desazars de Montgailhard	-	-	-	-	-
Former Directors					
Sapna Rani Sood	-	-	-	-	-
Ian Stuart Thackwray	-	-	-	-	-
Jean-Claude Bernard Block	-	-	-	-	-
Md Yusof bin Hussin	-	-	-	-	-

(b) Aggregate remuneration of Executive Directors categorised into approriate components:-

	Salary (RM)	Directors' Fees & Other Remuneration (RM)	*Others Emoluments (RM)	Benefits-In Kind (RM)	Total (RM)
Executive Directors	2,107,090	-	486,518	508,465	3,102,073

* *Other emoluments include bonus, fixed/cash allowance and the Company's contribution to Employee' Provident Fund.*
\# *Tan Sri Dr Rebecca Fatima Sta Maria was appointed on 29 November 2016, the fees paid to her are on pro-rated basis*
^ *Datuk Muhamad Noor Bin Hamid was appointed on 21 February 2017*

(c) The number of Directors of the Company whose total remuneration falls within the following bands:-

	Number of Directors	
Range of remuneration	Executive	Non-Executive
RM10,000 to RM50,000		1
RM50,001 to RM100,000		2
RM100,001 to RM150,000		1
RM1,000,001 to RM1,500,000	1	
RM1,500,001 to RM2,000,000	1	

Assessing Independence *(Recommendation 3.1 of the Code)*
The Board undertakes an annual assessment of the independence of its independent directors. In assessing their independence, the Board has taken into consideration the following factors:

(i) If the Independent Director has fulfilled the independent criteria set out in the Listing Requirements, and therefore, is able to bring independent and objective judgment to the Board;
(ii) If the Independent Director has the requisite experience and understanding which enables him/her to contribute effectively to the Company's business and to protect the interest of the Company and its stakeholders;
(iii) If the Independent Director has exercised his/her independence and due care during his/her tenure as Independent Director of the Company and has he/she carried out his/her professional duties in the best interest of the Company and its stakeholders; and
(iv) If the Independent Director's association with the Company has enhanced his/her knowledge and understanding of the business operations of the Company which enables them to contribute actively and effectively, thus providing balanced decision making during deliberations at Board meetings.

The annual assessment for FY2016 was discussed and deliberated by the Board on 22 February 2017. The Board is confident that the strong independent character of its Board composition will ensure that its strategies, performance, conduct and policies are fully deliberated taking into account the interests of its various stakeholders. The Board has established the criteria to judge independence of a director which is based on the Listing Requirements. The Board is satisfied that its independent directors have continued to exercise independent judgment and acted in the best interests of the Company and the Company's stakeholders.

Tenure of Independent Directors *(Recommendations 3.2 and 3.3 of the Code)*
The Code recommends that the tenure of an independent director should not exceed a cumulative term of nine years. However, an independent director may continue to serve on the Board subject to the Director's re-designation as a non-independent director or the Board may recommend for an independent director who has served a consecutive or cumulative term of nine years to remain as independent director subject to shareholders' approval. In evaluating the credentials of its independent directors, the Board believes that the criteria should be the requisite experience, expertise and understanding of the Company's specialised heavy industry, rather than the tenure of the director.

Following the assessment of the Independent Directors' independence on 22 February 2017, the Board has formed the view that tenure exceeding 9 years has not impaired the ability of Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar and Tan Sri A. Razak to remain independent and thus does not feel that it is necessary to re-designate them as non-independent directors. The Board values greatly their vast knowledge, expertise and experience in this industry. The Board finds that it is extremely important that Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar and Tan Sri A. Razak have the requisite experience and expertise in order to contribute effectively to the Company's business and to protect the interest of the shareholders. The Board has found that they have both continued to exercise their independence and due care during their tenure as Independent Non-Executive Directors of the Company, carried out their professional duties in the best interest of the Company and shareholders, and have shown great integrity of independence and had not entered into any related party transaction with the Company. As such, the Board recommends that Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar and Tan Sri A. Razak remain as independent directors.

Since 29 November 2016, the Board has included in the Board Charter, the requirement that the approval of shareholders be sought at the Annual General Meeting for the re-election of independent directors who have served in that capacity for more than 9 years, in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012. Accordingly, on 22 February 2017 the Board had considered and approved the inclusion of a resolution in the agenda for the upcoming Annual General Meeting, for the Company to retain its independent directors who have served in the capacity of an independent director for more than 9 years, i.e. Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar and Tan Sri A. Razak, as independent directors.

Senior Independent Director

The Board has appointed Tan Sri A. Razak Bin Ramli as the Senior Independent Director with effect from 25 May 2011. In this capacity, he continues to provide an avenue for shareholders and the Non-Executive Directors to express any concerns that they may have affecting the Company.

Meetings of the Board and Time Commitment *(Recommendation 4.1 of the Code)*

Board meeting schedules and agenda for discussion for the next calendar year are made available and approved in the final quarter of each financial year to allow for adequate preparation before meetings. The schedules include meetings of the Board, Board Committees and general meetings of shareholders and maps out the flow of key items of business to ensure that appropriate time is set aside for deliberate discussions.

The Board has a formal schedule of matters reserved at Board meetings which includes minutes of Board, corporate plans, annual budgets, operational and financial performance reviews, major investments and financial decisions, changes to the management and control structure within the Company, including key policies and procedures and delegated authority limits. The Chairman Committee's reports are also presented and discussed at Board meetings.

Each Board member is expected to commit time to attend four (4) Board meetings a year, all Committee meetings held in a year, additional meetings depending on business exigencies where appropriate, and one (1) Annual General Meeting. In addition, Board members are also expected to attend on-site and off-site programs, trainings, dialogues with the Management and all other formal and informal Company functions.

The Company Secretaries will act as Secretaries to the Board and Board Committees. All proceedings of Board meetings are duly recorded in the minutes of each meeting and signed minutes of each Board meeting are properly kept by the Company Secretaries.

I. The Board

The Board shall meet for at least four (4) scheduled Board meetings a year and more depending on business exigencies where appropriate. In addition to the scheduled Board meeting, all of the Board members are also required to attend the Company's annual general meeting. Likewise, decisions of the Board are also made by way of circular resolutions in between scheduled meetings during the financial year.

Directors' attendance at Board meetings and the Annual General Meeting for the year ended 31 December 2016 are as follows:-

	Scheduled Meetings		
Current Board Members	**Attendance**	**%**	**AGM**
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar (Chairman, Independent Non-Executive Director)	4/4	100	1/1
Martin Kriegner [(1)] (Vice Chairman, Non-Independent Director)	1/2	50	N/A
Thierry Legrand (Executive Director)	4/4	100	1/1
Michael Lim Yoke Tuan (Executive Director)	4/4	100	1/1
Tan Sri A. Razak bin Ramli (Senior Independent Non-Executive Director)	3/4	75	1/1
YM Tunku Afwida Binti Tunku A.Malek (Independent Non-Executive Director)	4/4	100	1/1
Tan Sri Dr Rebecca Fatima Sta Maria [(2)] (Independent Non-Executive Director)	1/1	100	N/A

	Scheduled Meetings		
Current Board Members	**Attendance**	**%**	**AGM**
Bi Yong So Chungunco (Non-Independent Non-Executive Director)	3/4	75	1/1
Daniel Nikolaus Bach (3) (Non-Independent Non-Executive Director)	1/2	50	N/A
Jean Desazars de Montgailhard (4) (Non-Independent Non-Executive)	0/0	N/A	N/A
Datuk Muhamad Noor Bin Hamid(5)	N/A	N/A	N/A
Former Board Members			
Sapna Rani Sood (6) (Non-Independent Non-Executive)	3/3	100	1/1
Ian Stuart Thackwray (7) (Non-Independent Non-Executive)	2/2	100	1/1
Jean-Claude Bernard Block (8) (Non-Independent Non-Executive)	0/0	N/A	N/A
Md Yusof bin Hussin (9) (Independent Non-Executive Director)	0/0	N/A	N/A
Company Secretaries			
Koh Poi San (Company Secretary)	4/4	100	1/1
Katina Nurani Abd Rahim (Company Secretary)	4/4	100	1/1

Notes:

(1) *Appointed as Vice Chairman, Non-Independent Non-Executive Director w.e.f. 26 August 2016;*
(2) *Appointed as Independent Non-Executive Director w.e.f 29 November 2016;*
(3) *Appointed as Non-Independent Non-Executive Director w.e.f 26 August 2016;*
(4) *Appointed as Non-Independent Non-Executive Director w.e.f 29 November 2016;*
(5) *Appointed as Independent Non-Executive Director w.e.f. 21 February 2017;*
(6) *Resigned as Non-Independent Non-Executive Director w.e.f. 29 November 2016;*
(7) *Resigned as Vice Chairman, Non-Independent Non-Executive Director w.e.f. 26 August 2016;*
(8) *Resigned as Non-Independent Non-Executive Director w.e.f. 13 January 2016;*
(9) *Resigned as Independent Non-Executive Director w.e.f. 1 January 2016;*

II. The Board Committees

The Board of Directors delegate certain responsibilities to the Board Committees, namely an Audit Committee and a Remuneration & Nomination Committee in order to enhance business efficacy and operational efficiency.

All committees have written terms of reference and the Board receives reports of their proceedings and deliberations.

a. Audit Committee

The Audit Committee shall meet at least four times a year and the quorum for any meeting shall be two (2) members, who must be independent directors. The CEO, Chief Financial Officer (CFO) and the Head of Internal Audit will be invited to attend all meetings of the Audit Committee. There shall be at least two (2) meetings a year with external auditors including two (2) meetings without the presence of Management and external auditors will also be invited to attend additional meetings when appropriate. The external auditors may request a meeting if they consider one necessary. Other Board members may attend meetings upon the invitation of the Audit Committee.

The details on the composition of the Audit Committee, internal function framework and their activities during the financial year ended 31 December 2016 prepared pursuant to paragraph 15.15 of the Listing Requirements are set out in the Audit Committee report on pages 54 to 58 of this Annual Report.

b. Remuneration & Nomination Committee *(Recommendation 2.1 of the Code)*

The R&N Committee establishes for itself the procedure and frequency of its meetings, but shall meet at least once annually. The quorum for the meeting shall consist of any two independent non-executive Directors appointed to the R&N Committee. The CEO and any other persons (including any Executive Directors and members of Management) may also be invited to attend all meetings of the R&N Committee as it deems fit.

The R&N Committee for the year ended 31 December 2016 comprised 3 independent non-executive directors and 1 non-independent non-executive director. Tan Sri A. Razak bin Ramli is the Chairman of the R&N Committee.

The R&N Committee met five (5) times in 2016 and the attendance of each individual is set out below:

Members	Attendance	%
Tan Sri A. Razak bin Ramli (Chairman, Senior Independent Non-Executive Director)	5/5	100
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar (Member, Independent Non-Executive Director)	5/5	100
Tan Sri Dr Rebecca Fatima Sta Maria [(1)] (Member, Independent Non-Executive Director)	0/0	N/A
Bi Yong So Chungunco (Non-Independent Non-Executive Director)	5/5	100
Jean Desazars de Montgailhard [(2)] (Non-Independent Non-Executive)	0/0	N/A

Notes:
(1) Appointed as Member of the R&N Committee on 29 November 2016.
(2) Appointed as Member of the R&N Committee on 22 February 2017

The terms of reference of the Remuneration and Nomination Committee are as follows:

(a) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making such recommendation, the R&N Committee will:
   i. Consult with the CEO on the nomination of non-Executive Directors for final approval by the Board. The appointment of non-Executive Directors shall be for a term limited to the time when the Director concerned is obliged under the Company's Articles to stand for re-election by rotation.
   ii. Consider the CEO's nomination of senior managers as Executive Directors of the Board.

(b) To recommend to the Board, non-Executive Directors (majority of whom must be independent) to fill the vacant seats of the Committees.

(c) To review and identify the required mix of skills and experience and other qualities, including core competencies that non-Executive Directors should bring to the Board.

(d) To assess the effectiveness of the Board (as a whole), the various committees of the Board and assess the contribution of each individual Director in relation to that Director's ability to contribute to the effective decision making of the Board.

(e) To recommend to the Board the terms of service of all Executive Directors of the Company. For the avoidance of doubt, such terms of service shall include base salary, performance related elements and benefits in kind.

(f) To recommend to the Board the compensation and remuneration package of Executive Directors/senior management. The remuneration of non-Executive Directors shall be a matter for the Board to consider.

(g) To consult annually with the CEO regarding his succession plans in relation to Executive Directors.

Appointment Process *(Recommendation 2.2 of the Code)*
The Board, through the R&N Committee, is responsible for ensuring that there is an effective and orderly succession planning in the Company. The R&N Committee reviews candidates for key management positions and formulates nomination, selection and succession policies for members of the Board. The Board then deliberates on the R&N Committee's recommendations.

In respect of the appointment of all directors, the R&N Committee considers shortlisted candidates based on their profiles, professional achievements and personality assessments. Appropriate candidates for independent directors are sourced through recruitment firms based on the needs of the Board. The R&N Committee then ensures that the candidates are suitable and of sufficient caliber for recommendation for the approval of the Board by reviewing the profiles of candidates and where deemed appropriate, conducting interviews with the shortlisted candidates.

In 2016, 5 new directors were appointed onto the Board following the recommendation of the Remuneration & Nomination Committee, 2 of which are independent directors. YM Tunku Afwida Binti Tunku A. Malek, who has a background in finance and is a member if the Malaysian Institute of Accountants was appointed on 29 February 2016 and Tan Sri Dr Rebecca Fatima Sta Maria, who is the former Secretary General of MITI was appointed on 29 November 2016. On 21 February 2017, the Board has appointed an independent director with an engineering background i.e. Datuk Muhamad Noor Bin Hamid, who has had more than 30 years of working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting. These efforts have been made to ensure a smooth transition and continuity of the independent directors on the Board.

Upon the appointment of independent directors, the director will receive a letter of appointment enclosing the Board Charter and Directors' Manual which outlines his/her duties and responsibilities and disclosure required of him/her in compliance with the relevant sections of the Companies Act 2016, Capital Market & Services Act 2007 and the Listing Requirements. When appropriate, an onboarding program for newly appointed independent directors will be organized by the Company's Human Resources Department to introduce the new independent director to members of Management and familiarize them with the Company's operations and the industry as a whole. In 2016, an onboarding program was held on 17 May 2016 following the appointment of YM Tunku Afwida Binti Tunku A. Malek on the Board.

Re-election
In accordance with the Company's Articles of Association, all Directors who are appointed by the Board (casual vacancy) are subject to re-election by the shareholders at the Annual General Meeting following their appointment. The Articles of Association of the Company also provides that all Directors (including the President & CEO) shall retire from office at least once every 3 years. Retiring Directors may offer themselves for re-election by shareholders at the Annual General Meeting every 3 years.

Currently, two of the Company's Independent Non-Executive Directors i.e. Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar and Tan Sri A. Razak have served as independent directors on the Board for more than 9 years. Both of the Directors will also be submitting themselves for re-appointment annually and, that the approval of shareholders will be sought in order to continue in office as independent directors until the next Annual General Meeting. This is dealt with in more detail in page 40 of this Statement.

This re-election practice provides an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately.

Review of the Audit Committee
Further, in accordance with the requirements of the Listing Requirements, the R&N Committee also undertakes an annual review of the term of office and performance of the Audit Committee and its individual members. The review was carried out in October 2016 and results of the review were presented to and noted by the Board on 29 November 2016.

Directors' Training *(Recommendation 4.2 of the Code)*
The Board is mindful that continuous education is vital for Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the Board's skill sets and knowledge in discharging its responsibilities.

As at the date of this Statement, all Directors have attended the Mandatory Accreditation Program of Bursa Malaysia Securities Berhad ("Bursa Securities") within the stipulated period. Every Director of the Company undergoes continuous training to equip himself/herself to effectively discharge his/her duties as a Director and for that purpose he/she ensures that he attends such training programs as prescribed by Bursa Securities from time to time. The Company also provides briefings for members of the Board, to ensure that they have a comprehensive understanding on corporate governance and corporate compliance, as well as on the business and operations of the Group and the Company.

The current Directors who were on the Board in FY2016 attended the following internal and external training programs in FY2016:

Directors	Topics
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	• Presentation on Introduction to the New Audit Requirements on 30 August 2016 • Presentation on LafargeHolcim Integrity Line on 30 August 2016
Martin Kriegner	• Presentation on Introduction to the New Audit Requirements on 30 August 2016 • Presentation on LafargeHolcim Integrity Line on 30 August 2016
Thierry Legrand	• Sustainability Engagement Series – Program Customised for Directors/ CEO of Listed Issuers of Bursa Malaysia (2 June 2016) • Asian Cement Producers Amity Club Workshop (2-3 June 2016) • LafargeHolcim Compliance Training for ExCo (4 June 2016) • LafargeHolcim Training for ExCo on Anti-Bribery and Corruption (8 June 2016) • Presentation on Introduction to the New Audit Requirements on 22 August 2016 and 29 November 2016 • Presentation on LafargeHolcim Integrity Line on 22 August 2016 • LafargeHolcim Commercial Academy- Onsite Residential Module (11- 16 December 2016) • Malaysian French Chamber of Commerce & Industry: Séminaire de Réflexion (19-21 January 2017)
Michael Lim Yoke Tuan	• Sustainability Engagement Series – Program Customised for Directors/ CEO of Listed Issuers of Bursa Malaysia (2 June 2016) • LafargeHolcim Compliance Training for ExCo (4 June 2016) • LafargeHolcim Training for ExCo on Anti-Bribery and Corruption (8 June 2016) • Presentation on Introduction to the New Audit Requirements on 22 August 2016 and 29 November 2016 • Presentation on LafargeHolcim Integrity Line on 22 August 2016
Tan Sri A. Razak bin Ramli	• A Lecture and Case Discussion on "Independent Directors – Regulator's Expectation" (30 May 2016) • Malaysia Navigating the Shifting Tides (26 July 2016) • Sustainability Practices and Reporting (26 July 2016) • The New Companies Bill 2015 (26 July 2016) • Presentation on Introduction to the New Audit Requirements on 30 August 2016 and 29 November 2016 • Presentation on LafargeHolcim Integrity Line on 30 August 2016 • Healthy Aging in the 21st Century • Corporate Governance Breakfast Series – Thought Leadership Lesson for Directors (21 November 2016) • Corporate Governance Breakfast Series – How to Leverage on AGMs for Better Engagement with Shareholders (21 November 2016)

Directors	Topics
YM Tunku Afwida Binti Tunku A.Malek	• C-Suite Risk Conference (19 January 2016) • Whistle Blowing & Cyber Fraud (28 January 2016) • Capital Market Director Programme – Module 3 : Risk Oversight & Compliance – Action Plan for Board of Directors (23 February 2016) • Capital Market Director Programme – Module 4 : Current & Emerging Regulatory Issues in the Capital Market (24 February 2016) • BNM - FIDE FORUM Dialogue with Deputy Governor on the Corporate Governance Concept Paper (26 April 2016) • Induction Briefing for new Directors : Overview of Malaysian Telecom Industry as well as the snapshot on Telekom Malaysia (3 May 2016) • Warning Signals & Lessons Learned in Corporate Credit (12-13 May 2016) • Lafarge Malaysia Familiarization and On Boarding Program (17 May 2016) • Site visits to Lafarge Malaysia plants (18 May 2016) • Induction Briefing : LTE Project Update/ webe (20 May 2016) • Induction Briefing : TM's Enterprise Rsik Management (ERM) (9 June 2016) • Nothgate Capital (19 July 2016) • Akamai Foster Forward : Grand Challenges facing the Internet (19 July 2016) • 12th World Islamic Economic Forum (2 - 4 August 2016) • FIDE Elective - Internal Capital Adequacy Assessment Process (ICAAP) Banks – ICLIF (15-16 August 2016) • Presentation on Introduction to the New Audit Requirements (22 August 2016 and 29 November 2016) • Presentation on LafargeHolcim Integrity Line (22 August 2016) • Induction Briefing : Long Term Incentive Pan (7 and 13 September 2016) • Anti-Money Laundering And Counter Terrorism Financing 2001 for Board of Directors (14 September 2016) • Waqf & Its Application in the contemporary Islamic Finance (17 October 2016)
Tan Sri Dr Rebecca Fatima Sta Maria	• Mandatory Accreditation Programme (7-8 September 2016) • The New Companies Bill 2015 (17 August 2016) • Briefing on Anti-Money Laundering and Counterrorism (31 October 2016)
Bi Yong So Chungunco	• Presentation on Introduction to the New Audit Requirements on 29 November 2016
Daniel Nikolaus Bach	• Mandatory Accreditation Program (9-10 November 2016)
Jean Desazars de Montgailhard	• N/A [appointed on the Board on 29 November 2016. He will be attending Mandatory Accreditation Program in 2017]

B. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to preparing financial statements that present a balanced and meaningful assessment of the Company's financial performance and prospects. This assessment is provided in the CEO's Statement and the annual financial statements in this Annual Report as well as the quarterly announcement of results to the shareholders. The Audit Committee, established since 1994 to oversee the Company's financial reporting process and the quality of its financial reporting, assists the Board to discharge its duties. The Audit Committee reviews the quarterly and annual financial statements and makes recommendations to the Board focusing on accounting policies, compliance with accounting standards, stock exchange and legal requirements and the results of the external audit.

Directors' Responsibility Statement in respect of the Preparation of the Audited Financial Statements
(Recommendation 5.1 of the Code)
The Board is responsible for ensuring that the financial statements of the Company give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016 have been complied with.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgment and estimates. The Directors also have a general responsibility for taking such steps as is reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Board is further assisted by the Audit Committee to oversee the quality and processes of the financial reporting.

The Directors' Responsibility Statement for the audited financial statements of the Company is set out on page 66 of the Annual Report. The details of the Company's financial statements for the financial for the FY2016 can be found from pages 60 to 164 of the Annual Report.

Relationship with the Auditors *(Recommendation 5.2 of the Code)*
The statement on roles, duties and responsibilities of the Audit Committee and the Board in relation to both the internal and external auditors is described in pages 54 to 58 of the Audit Committee Report of this Annual Report.

State of Internal Controls *(Recommendations 6.1 and 6.2 of the Code)*
The Board of Directors is responsible for the system of internal control and for regularly reviewing its effectiveness. The principal aim of the system of internal control is the management of business risks with a view to enhancing the value of our shareholders' investments and safeguarding assets and not to provide absolute assurance that business risks will be fully mitigated. The Statement on Internal Control and Risk Management set out on pages 50 to 53 of this Annual Report provides an overview of the state of internal controls within the Company. The Company has a Head of Internal Audit and Internal Control, Ms Wong Swee Peng, who monitors and ensures that the Group's Internal Control Standards are effectively implemented and key controls are regularly tested.

The Company's internal audit function is performed in-house by a team of internal auditors led by the Head of Internal Audit and Internal Control, Ms Wong Swee Peng. Internal Audit is responsible for performing an independent assessment of the quality of internal control at all levels in the organization.

C. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Corporate Disclosure *(Recommendations 7.1 and 7.2 of the Code)*
In line with good corporate governance recommended by the Code, the Company adopts an open and transparent policy in respect of its relationship with its shareholders and investors through the following communication channels:-

Analyst Results Briefings

- The Company holds analyst results briefings periodically after the announcement of relevant quarterly results to Bursa Malaysia. The Company also actively responds to requests for discussions with institutional shareholders and analysts, locally and abroad, to provide them better insights into the Company.
- The Board also takes a proactive approach in reaching out to the investing community via visits to project sites, small group meetings, luncheons and participating in roadshows and investor conferences and such activities are usually spearheaded by the Executive Directors and the Management.
- Such approaches allow shareholders and the investment communities to make more informed investment decisions based not only on past performance but also the future direction of the Company.

Company's Corporate Website

- The Company's corporate website (www.lafarge.com.my) provides quick access to information about the Company.
- The information on the corporate websites includes corporate profile, corporate structure, Board of Directors profiles, awards and achievements, press releases, corporate news, financial results, Bursa Securities announcement, share and dividend information as well as an overview of the Company's performance and operations.

Annual Report

- The Annual Report provides a comprehensive report on the Company's operations and financial performance.
- The Annual Report is printed in summary form together with a digital version of the Annual Report in CD-ROM format. An online version of the Annual Report is also available on the Company corporate website.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Board and Management will continually take into account the disclosure guidelines issued and advocated by Bursa Malaysia Securities Berhad to assist listed issuers to elevate their standards of disclosure.

The primary person responsible for investor relations is Mr Michael Lim Yoke Tuan, Chief Financial Officer (telephone: 603-77238200). The direct involvement of the Executive Director and Chief Financial Officer in investor relations reflects the commitment of the Board in providing a high standard of transparency to its shareholders.

Shareholder Participation at General Meetings *(Recommendations 8.1 and 8.3 of the Code)*

The Board also takes reasonable steps to encourage shareholder participation at general meetings. Shareholders are encouraged to participate in the Question and Answer session on the resolutions being proposed or on the Company's operations and performance in general. Shareholders who are unable to attend are allowed to appoint proxies in accordance with the Company's Articles to attend and vote on their behalf.

<u>Annual General Meeting</u>

The AGM is an opportunity for further shareholder engagement and for the Chairman to explain the Company's progress and, along with other members of the Board, to answer any question. Attendance of the Directors at the AGM 2016 is provided on page 41 to 42.

The Company's AGM, scheduled in May of each year, is the primary platform for communication with the widest range of shareholders. Some of the measures to encourage greater shareholder attendance and participation include the following:

- The venue of the AGM is at a central and easily accessible location
- Notices of the Company's AGM and the Annual Report are sent to shareholders at least twenty-one days prior to the meeting with explanatory notes provided for each special issue.
- The Company's corporate website are updated with latest updates on AGM and all documents related thereto i.e. Notice of AGM, Annual Report, Circular to Shareholder
- The Chairman and the Board, where appropriate, also provides clarification and response to queries submitted by shareholders and investors in relation to any of the official reports or announcements at the AGM
- The CEO will also do a visual presentation and provide an executive summary of the performance of the Company highlighting key financial information and challenges.

Poll Voting *(Recommendation 8.2 of the Code)*
The shareholders have the right to demand a poll in accordance with the Company's articles of association. Commencing from the AGM which shall be held on 23 May 2017, all resolutions set out in the notices of the general meeting will be voted by poll. Polling processes will be explained during the general meetings and will be conducted through electronic voting. Poll results will be verified by appointed Independent Scrutineers.

Additional Compliance Statement

(a) Share Buy back

The Company did not undertake any share buy back during FY2016. As at the date of this Statement, there are no ordinary shares held in treasury.

(b) Audit Fees

Audit Fees for the Company:
The total cost incurred by the Internal Audit department in relation to the conduct of the internal audit functions of the Company for FY2016 was RM1.2 million.

The amount of audit fees paid to external auditors by the Company and its subsidiaries for the FY2016 is RM978,000.00.

Non-Audit Fees
The amount of non-audit fees paid to external auditors by the Company and its subsidiaries for the FY2016 is RM147,000.00. The non-audit fees paid is in respect of review of interim financial information, agreed upon procedures, review of statement of internal control and tax service fees.

(c) Material Contracts Involving Substantial Shareholders

Save and except for the recurrent related party transactions entered into pursuant to the shareholders' mandate, there were no material contracts either still subsisting at or entered into since the end of FY2016 by the Company and/or its subsidiaries which involved Directors' and/or substantial shareholders' interest .

This Corporate Governance Statement is made in accordance with the resolution of the Board of Directors dated 22 February 2017.

05 STATEMENT ON **INTERNAL CONTROL AND RISK MANAGEMENT**

INTRODUCTION

The Board of Directors of Lafarge Malaysia Berhad is pleased to provide the following Statement on Internal Control and Risk Management is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Principle 6 of the Malaysian Code on Corporate Governance 2012, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

BOARD RESPONSIBILITY

The Board of Directors of Lafarge Malaysia Berhad ("LMB" or "the Company") recognises the importance of a sound risk management and internal control system and good corporate governance. The Board affirms its overall responsibility for the Company's system of internal control and risk management which includes the establishment of an appropriate control environment and risk management framework as well as reviewing the adequacy and integrity of the said systems to safeguard shareholders' investment and the Company's assets. The Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Company during the year.

As there are limitations that are inherent in any systems of internal control and risk management, such systems are designed to manage rather than eliminate the risk that may impede the achievement of the Company's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or losses, fraud or breaches of laws or regulations.

The Company's system of internal control has been in place for the entire year under review. The key features of the internal control systems which operated throughout the period covered by the financial statements are described under the following headings:

THE COMPANY's RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

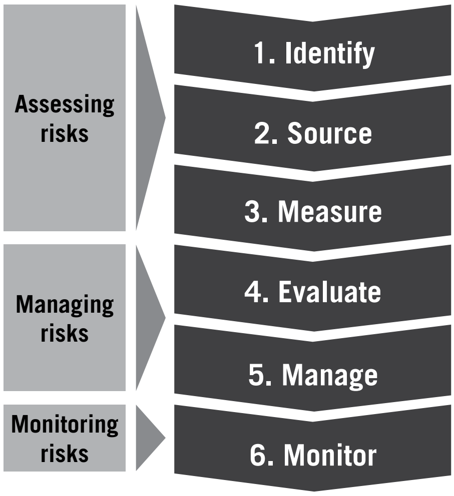
1. **RISK MANAGEMENT**

   The Company has an embedded process for the identification, evaluation and reporting of the major business risks within the Company. Policies and procedures have been laid down for the regular review and management of these risks. The Company Risk Management Policy covers all types of risks in terms of their nature, their source and their consequences. There is a Business Risk Management (BRM) process to identify, evaluate, prevent and control the risks to which the Company is exposed to utilizing a Company risk model. The identified risks as well as the risk responses are tracked and reported to the Board.

   The Company's risk management and internal control extends to all aspects of its activities. The Board is dedicated to ensure that the Company's corporate strategies are set in congruence with its risk profile and degree of tolerance.

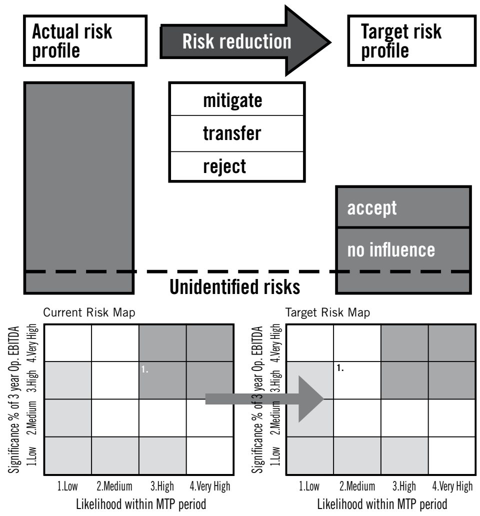
   The risk management structure and control mechanism for financial, operational, environmental and compliance matters with Board's participation, is put in place and embedded throughout the Company during the financial year under review and up to the date of approval of this Statement, so as to manage the significant risks that may affect the Group's business objectives on a continuous basis and they also allow any new significant risk identified being subsequently evaluated and managed. As the Company is operating in a competitive and challenging business environment, the effectiveness of the risk management and internal control system may vary from time to time and therefore the relevant processes and practices will be adjusted to add value to the existing framework.

Risk Definition



The BRM process comprise of 6 steps to assess, manage and monitor business risks. Identified risks are evaluated based on the risk significance and risk likelihood and plotted on a risk map.

Risk Management Approach



Identified business risks are treated in four different ways to arrive at a target risk map.

- Risk mitigation
- Risk assumption
- Risk transfer
- Risk rejection

The action plans to mitigate risks are monitored regularly and reported to the Board.

2. INTERNAL CONTROL STRUCTURE

The Company has in place a sound internal control structure with sufficient assurance mechanism to safeguard the Company's assets. There is a clearly defined operating structure with lines of responsibilities and delegated authority. The control structure and environment are supported by the following activities:

Board Committees

The Board has set up board committees to promote corporate governance, transparency and accountability. Each committee plays an important role in directing, monitoring and providing on-going assessment that business operations are carried out in accordance with the Company's approved long-term and short-term business plans and established policies.

1. The Audit Committee includes Independent Non-Executive Members of the Board and provides direction and oversight over the internal audit function to enhance its independence from management. The Audit Committee meets quarterly to review internal audit findings, discuss internal control issues and ensures that weaknesses in controls highlighted are appropriately addressed by management.
2. The Remuneration and Nomination Committee consists of a majority of Independent Non-Executive Directors who provide recommendations to the Board on new candidates to the Board, ensuring an appropriate range and mix of skills set among members; reviewing and recommending to the Board the appointment of members to Board Committees.

Organisation Structure

The Company has in place divisional structure which defines clear lines of authority; responsibility and accountability have been established to support the Company in achieving its vision, mission, strategies and operational objectives. The divisional structure enhances the ability of each division to focus on its assigned core and support functions within the Company.

Main Control Procedures
The Company has defined procedures and controls, including information system controls, to ensure the reporting of complete and accurate financial information. These procedures and controls include obtaining authority for major transactions and ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organisation remains structured to ensure appropriate segregation of duties.

Financial Reporting and Operational Control Framework
There is a comprehensive budgeting system with an annual budget approved by the Board each year. Management accounts containing actual and budget results and revised forecasts for the year are prepared and reported to the Board. These management reports analyze and explain variances against plan and report on key indicators.

The LafargeHolcim Group's Code of Business Conduct
The Code defines rules of conduct. This Code promotes:

- Integrity in the workplace with focus on:
  - Health & safety
  - Diversity, fairness and respect
  - Protection of Company assets
  - Information systems, email and social media

- Integrity in business practices with focus on:
  - Anti-bribery and anti-corruption
  - Gifts and hospitality
  - Fair competition
  - Accurate recording and reporting
  - Conflicts of interest
  - Insider trading
  - Conducting international business
  - Preventing money laundering

- Integrity in the community with focus on:
  - Environment
  - Human rights
  - Community engagement

In addition to the Code of Business Conduct, the LafargeHolcim Group has also issued a policy to conduct business in an honest and ethical manner i.e. the Anti-Bribery and Corruption Directive ("ABC Directive") which must be observed by all LafargeHolcim employees at all times. Further, the LafargeHolcim Group has issued the Third Party Due Diligence ("TPDD") Directive which sets out the relevant mandatory principles, the necessary guidance as well as the measures needed to take to protect the Company when engaging and dealing with Third Parties, particularly those interacting on the Company's behalf with Public Officials.

3. INTERNAL AUDIT
The annual risk based internal audit plan is reviewed and approved by the Audit Committee before the beginning of the year. The objectives of the said audit plan is to ensure, through regular internal audit reviews, that the Company's policies and procedures are being complied with in order to provide assurance on the adequacy and effectiveness of the Company's system of internal controls. Follow up reviews on previous audit reports are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted.

Internal Control
Compliance review and tests are carried out in ensuring operating effectiveness of key controls in accordance with LafargeHolcim internal control requirements.

Monitoring
The monitoring of control procedures is achieved through management review by the responsible Executive Director reporting to the Board. These are supplemented by comprehensive reviews undertaken by the internal audit function on the controls in operation in each individual business. Regular reports are produced for senior management to assess the impact of control issues and recommend appropriate actions.

Control Environment
The Company has in place effective Internal Control systems at each level of responsibility supported by commitment of management and a culture of internal control. It is also supported by a Code of Business Conduct which has to be strictly applied by the Company's employees.

4. OTHER KEY ELEMENTS ON RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

- Proper documentations which define the duties and responsibilities of the Board and each of its committees as well as management team.
- Key functional units are managed by experienced and dedicated team of personnel
- Clear organization structure comprising legal, human resources, business operations and finance, to facilitate the implementation of risk management and control procedures.
- Financial reports are reviewed by the Audit Committee and the Board on quarterly and annual basis.
- The Executive Directors participate directly in the daily management of the Company, and report to the Board on significant changes in business environment as well as relevant corporate, legal, accounting and market developments which might affect the business of the Company.

CONCLUSION

The Board has received assurance from the CEO and the CFO on the company's risk management and internal control system are operating adequately and effectively in all material aspect. The system of internal control was satisfactory and has not resulted in material losses, contingencies or uncertainties that would require disclosure in this Annual Report.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITOR

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Internal Control and Risk Management. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Company.

Signed on behalf of the Board of Directors in accordance with the resolution of the Board of Directors dated 22 February 2017.

Y.M. TUNKU AFWIDA BINTI TUNKU A.MALEK
Chairman of Audit Committee

THIERRY LEGRAND
President & Chief Executive Officer

05 REPORT OF THE AUDIT COMMITTEE

A. COMPOSITION

Chairman

Y.M. Tunku Afwida Binti Tunku A. Malek[1]	-	Independent Non-Executive Director

Members

Tan Sri A.Razak Bin Ramli [2]	-	Independent Non-Executive Director
Bi Yong So Chungunco	-	Non-Independent Non-Executive Director
Datuk Muhamad Noor Bin Hamid[3]	-	Independent Non-Executive Director
Daniel Nikolaus Bach[4]	-	Non-Independent Non-Executive Director

Former Members

Y.A.M. Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar [5]	-	Independent Non-Executive Director
Md Yusof bin Hussin [6]	-	Independent Non-Executive Director

Notes:

(1) *Appointed as Chairman of Audit Committee on 29 February 2016*

(2) *To fill the vacancy of Encik Md Yusof Bin Hussin's resignation as the Chairman of the Audit Committee, Tan Sri A. Razak Bin Ramli was appointed as the Chairman of the Audit Committee from 13 January 2016 until the appointment of YM Tunku Afwida Binti Tunku A.Malek as the Chairman of the Audit Committee*

(3) *Appointed as Member of Audit Committee on 21 February 2017*

(4) *Appointed as Member of Audit Committee on 22 February 2017*

(5) *Resigned as Member of the Audit Committee on 29 February 2016*

(6) *Resigned as Chairman of the Audit Committee on 1 January 2016*

The Audit Committee is chaired by Y.M. Tunku Afwida Binti Tunku A. Malek who is a member of The Malaysian Institute of Accountants and a Chartered Accountant from the Institute of Accountants in England and Wales. She has had extensive experience in the provision of advisory services in corporate finance including compliance related and funding advisory related services, and has held positions in several financial organisations in Malaysia.

Tan Sri A. Razak Bin Ramli has spent many years on the Audit Committee and on the Boards of several listed companies in Malaysia. He has had vast experience in the government service sectors, and his last position was as the Secretary-General of Ministry of International Trade and Industry (MITI).

Bi Yong So Chungunco was the former Chief Executive Officer of the Company from 2008 and 2012. She is currently the Head of Divestments of the LafargeHolcim Group, mainly in the Asia Pacific Region and has had extensive experience in many areas since joining the Lafarge Group in 2002 as Senior Vice President for Legal, Corporate Governance & External Relations for Lafarge Philippines.

Datuk Muhamad Noor Bin Hamid has had many years of experience on the Boards of listed companies in Malaysia and has had more than 30 years of working experience in the oil and gas industry ranging from project planning and implementation, operation, consulting and contracting.

Daniel Nikolaus Bach joined Holcim in 1994 and has been a member of senior management of Holcim Ltd since 1 January 2014. He has held various positions in the South East Asia Region including Technical Director for Holcim Indonesia and Senior VP Manufacturing of Holcim Philippines. He is currently the LafargeHolcim Area Manager for South East Asia.

B. TERMS OF REFERENCE

Structure of the Audit Committee
The Audit Committee is a committee appointed by the Board and shall comprise at least 3 directors. All members should be non-executive directors with the majority of the members to be independent non-executive directors. At least one should be a member of an accounting association or body. The Chairman of the Committee shall be an independent non-executive director and be elected from amongst their members. All members of the Committee, including the Chairman, will hold office until otherwise determined by the Board. In the event of any vacancy in the Audit Committee resulting in non-compliance with the Listing Requirements, the Board of Directors shall within 3 months of that event appoint such new member(s) as may be required to comply with the Listing Requirements.

Authority
The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from the Management and any employee. The Management and employees are directed to co-operate with any request made by the Committee. The Committee may convene meetings with external auditors or internal auditors without the presence of management if deemed necessary.

The Committee is authorised by the Board to obtain independent legal and professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this to be necessary.

Functions
i. To review the effectiveness of the Company's risk management, internal controls and governance systems, including overseeing the Company's identification of risks and ensure proper action is taken to address or mitigate the risks;
ii. To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
iii. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
iv. To consider if the annual financial statements are in compliance with applicable accounting standards in accordance with Malaysian Financial approved Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act;
v. To review the quarterly and year-end financial statements of the Company, focusing particularly on:
   - any change in accounting policies and practices;
   - significant adjustments arising from the audit;
   - significant matters highlighted, significant judgments made by management, significant and unusual events or transactions, and how each of the foregoing matters were addressed;
   - the going concern assumption; and
   - compliance with accounting standards and other legal requirements;
v. To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);
vi. To review the external auditors' evaluation of the system of internal control, management letter and management's response;
vii. To do the following in relation to the internal audit function:
   - Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
   - Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
   - Review any appraisal or assessment of the performance of members of the internal audit function;
   - Approve any appointment or termination of senior staff members of the internal audit function; and
   - Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

viii. To consider any related-party transactions and conflict of interest situation that may arise within the company or group;

ix. To consider the major findings of internal investigations and management's response;

x. To consider other topics as defined by the Board; and

xi. To meet with external auditors at least twice in a financial year without the presence of management to discuss any issues or reservations arising from the audits and any other matter the external auditor may wish to discuss.

C. MEETINGS AND MINUTES

The Committee shall meet at least 4 times a year and the quorum for any meeting shall be 2 members, who must be independent directors. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit will be invited to attend all meetings of the Committee. There shall be at least 2 meetings a year with external auditors including 2 meetings without the members of Management and external auditors will also be invited to attend additional meetings when appropriate. The external auditors may request a meeting if they consider it necessary. Other Board members may attend meetings upon the invitation of the Committee.

The Company Secretaries shall be the secretaries of the Committee and as a reporting procedure, the minutes of each Committee meeting shall be circulated to all members of the Board.

A total of 4 meetings were held during the year 2016. The membership status and attendance record of each of the members are as follows:-

	Attendance	%
Current Members		
YM Tunku Afwida Binti Tunku A.Malek (Chairman, Independent Non-Executive Director) (1)	3/3	100
Tan Sri A. Razak bin Ramli (Member, Senior Independent Non-Executive Director) (2)	4/4	100
Bi Yong So Chungunco (Member, Non-Independent Non-Executive Director)	3/4	75
Datuk Muhamad Noor Bin Hamid (Member, Independent Non-Executive Director) (3)	N/A	N/A
Daniel Nikolaus Bach (Member, Non-Independent Non-Executive Director) (4)	N/A	N/A
Former Members		
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar (Member, Independent Non-Executive Director) (5)	1/1	100
Md Yusof Bin Hussin (Chairman, Independent Non-Executive Director) (6)	0/0	N/A
Secretaries		
Koh Poi San (Company Secretary)	4/4	100
Katina Nurani Abd Rahim (Company Secretary)	4/4	100

Notes:

(1) Appointed as Chairman of Audit Committee on 29 February 2016

(2) To fill the vacancy of Encik Md Yusof Bin Hussin's resignation as the Chairman of the Audit Committee, Tan Sri A. Razak Bin Ramli was appointed as the Chairman of the Audit Committee from 13 January 2016 until the appointment of YM Tunku Afwida Binti Tunku A.Malek as the Chairman of the Audit Committee

(3) Appointed as Member of Audit Committee on 21 February 2017

(4) Appointed as Member of Audit Committee on 22 February 2017

(5) Resigned as Member of the Audit Committee on 29 February 2016

(6) Resigned as Chairman of the Audit Committee on 1 January 2016

D. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Audit Committee carried out its duties in accordance with its terms of reference during FY2016.

The main activities undertaken by the Committee during the year were as follows:

(i) Financial Results

- Reviewed the annual financial statements of the Company prior to submission to the Board for their consideration and approval focusing particularly on any changes of accounting policy, significant matters highlighted, significant judgments made by management, significant and unusual events or transactions, and how these matters were addressed.
- Reviewed the annual financial statements for compliance with applicable accounting standards in accordance with Malaysian Financial approved Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act.
- Reviewed the quarterly unaudited financial results announcements prior to recommending them for approval by the Board.

(ii) External Audit

In totality, the Committee had 3 meetings with external auditors in 2016 including 2 discussions without the presence of Management. During these meetings, the following were carried out:

- Reviewed the appointment of new external auditors, Messrs. Deloitte in place of the retiring external auditors, Messrs. Deloitte & Touche due to the streamlining of Messrs. Deloitte and Messrs. Deloitte & Touche's client's portfolio in Malaysia into one single entity known as Messrs. Deloitte.
- Reviewed with external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act.
- Reviewed with external auditors the New Audit Requirements, in particular the key changes to the auditor's report arising therefrom and the requirements for identification of key audit matters and focus on assessment of a company as a going concern.
- Reviewed with external auditors the results of the audit and the audit report and in particular, reviewed accounting issues and significant audit adjustments arising from the external audit, significant risks/key audit areas which include the fraud considerations, revenue recognition, identification of related parties and disclosure of related party transactions, assessment of potential impairment of subsidiaries, impairment assessment of tangible and intangible assets, assessment of tax claims against a subsidiary of the Company and assessment of impairment for intercompany receivables between two of the Company's subsidiaries.
- Reviewed with external auditors the memorandum of comments and recommendations arising from their study and evaluation of the system of internal accounting control.

(iii) Assessing Independence, Suitability, Objectivity and Cost Effectiveness of the External Auditors

- Reviewed the independence, suitability, objectivity and cost effectiveness of the external auditors before approving their remuneration and recommending their appointment to the Shareholders. The Committee scrutinized and discussed the external auditors' annual fees before recommending to the Board for approval.
- Reviewed the suitability and independence of the external auditors during the discussion of the Audit Plan for the financial year 2016. The factors considered include the competency, adequacy of experience and resources of the firm and professional staff assigned to perform the audit, and the level of non-audit services to be rendered by the external auditors.
- As part of the annual audit exercise, the Committee obtained assurance from the external auditors confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Following the abovestated reviews and the assurance obtained, the Committee remains confident of the external auditor's independence and suitability.

(iv) Internal Audit / Internal Control

- Reviewed the annual audit plan to ensure adequate scope and coverage on the activities of the Company taking into consideration the assessment of the key internal control risks areas.
- Reviewed the resource requirements of the Internal Audit Department for the year and assessed the performance of the Internal Audit Department.
- Interviewed and considered potential candidates for new appointment and replacement for the Company's Head of Internal Audit.
- Reviewed the internal audit reports, audit recommendations made and management's response to these recommendations and actions taken to improve the system of internal control and procedures.
- Monitored the implementation of the audit recommendations to ensure that all key risks and controls have been addressed.
- Monitored and reviewed the impact and progress of compliance with the system of internal control and procedures.
- Reviewed risk management process and updates from Management on the existence of mitigating controls and action plans identified to mitigate the business risks identified.

(v) Related Party Transactions

- Reviewed significant related party transactions entered into/to be entered into by the Company and the Group and the disclosure of such transactions in the Annual Report.
- Reviewed the procedures and processes for monitoring, tracking and identifying recurrent related party transactions in a timely and orderly manner to ensure its adequacy and sufficiency of the procedures for ensuring that the recurrent related party transactions are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders.
- Reviewed the terms of all related party transactions entered into by the Company with the LafargeHolcim Group.
- Reviewed the Circular to Shareholders with regards to the proposed renewal of shareholders' mandate for existing recurrent related party transactions and proposed new shareholders' mandate for additional recurrent related party transactions of a revenue or trading nature for recommendation to the Board for approval.
- Reviewed the processes and procedures on related party transactions/recurrent related party transactions in the Group Policies and other regulatory authorities to ensure that related parties are appropriately identified and that related party transactions are declared, approved and reported appropriately.

(vi) Governance

- Reviewed the Report of the Audit Committee and recommended to the Board for inclusion in the 2015 Annual Report.
- Reviewed the Statement of Internal Control and recommended to the Board for inclusion in the 2015 Annual Report.

E. INTERNAL AUDIT FUNCTIONS AND SUMMARY OF ACTIVITIES

The Company has an in-house Internal Audit Department that reports directly to the Audit Committee and assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance on the adequacy and effectiveness of the risk management, internal control and governance process.

Risk assessment is carried out to examine the Company's business activities and the inherent risks. Audits are prioritised taking into consideration the assessment of the key risks areas.

Internal audit covers amongst others the review of the adequacy of risk management, operation controls, compliance with established procedures, guidelines, statutory requirements and management efficiency. International standards and best practices are adopted from the LafargeHolcim Group to enhance the effectiveness of the internal audit activities. The areas of coverage in 2016 include procurement processes, critical material sourcing, marketing services and projects, coal processes, credit control review, post-merger review, inventory and spares management, supply chain and other ad hoc reviews.

Further details of the activities of the Internal Audit Department are set out in the Statement on Internal Control and Risk Management under pages 52 & 53 of this Annual Report.

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06 DIRECTORS' REPORT

The Directors of **LAFARGE MALAYSIA BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The subsidiaries are principally involved in the manufacturing and sales of clinker, cement and ready-mixed concrete, and supply of aggregates and related products. The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary are set out in Note 16 to the Financial Statements.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	Group RM'000	Company RM'000
Profit before tax	74,281	83,416
Income tax income/(expenses)	3,448	(50)
Profit for the year	77,729	83,366
Profit attributable to:		
Owners of the Company	76,673	83,366
Non-controlling interests	1,056	–
	77,729	83,366

In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

Since the end of the previous financial year, the dividends paid by the Company are in respect of the following:

– a third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM67.976 million was declared on 18 November 2015 and paid on 13 January 2016;

– a fourth interim dividend of 7.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM59.479 million was declared on 29 February 2016 and paid on 20 April 2016;

– a first interim dividend of 3.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2016 amounting to RM25.491 million was declared on 23 May 2016 and paid on 27 July 2016;

– a second interim dividend of 2.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2016 amounting to RM16.994 million was declared on 30 August 2016 and paid on 27 October 2016; and

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2016.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIRECTORS

The Directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar
Tan Sri A. Razak Bin Ramli
Lim Yoke Tuan
Thierry Marie Robert Legrand
Bi Yong So Chungunco
YM Tunku Afwida Binti Tunku A.Malek
Martin Kriegner (appointed on 26 August 2016)
Daniel Nikolaus Bach (appointed on 26 August 2016)
Tan Sri Dr Rebecca Fatima Sta Maria (appointed on 29 November 2016)
Jean Desazars de Montgailhard (appointed on 29 November 2016)
Datuk Muhamad Noor Bin Hamid (appointed on 21 February 2017)
Md Yusof bin Hussin (resigned on 1 January 2016)
Jean-Claude Bernard Block (resigned on 13 January 2016)
Ian Stuart Thackwray (resigned on 26 August 2016)
Sapna Rani Sood (resigned on 29 November 2016)

The Directors who held office in the subsidiaries of the Company during the financial year and up to the date of this report are:

Ghazali bin Yacob
Kelvin Low Teck Swee
Yeap Khoon Cheun
Tadashi Matsunami
Liew Chee Yin
Lim Swat Hah
Loh Siew Yee
Richard Enrico Pucci
Fumiaki Hasegawa (alternate Director to Tadashi Matsunami)
Rey Ausan Cervera (appointed on 24 October 2016)

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors of the Company has received or become entitled to receive any benefits (other than the benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in Note 5.4 to the Financial Statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transaction between the Company and certain companies in which certain Directors of the Company are also Directors and/or shareholders as disclosed in Note 24 to the Financial Statements.

DIRECTORS' BENEFITS (CONT'D)

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby the Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the shares issued or acquired under the Performance Share Plan and Employee Share Purchase Plan as disclosed below.

DIRECTORS' INTERESTS

The shareholdings in the Company and in the related companies of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 are as follows:

	No. of ordinary shares of CHF2.00 each			
	Balance as at 1.1.2016	**Bought**	**Sold**	**Balance as at 31.12.2016**
Shares in the ultimate holding company, Lafarge Holcim Ltd. held by:				
Direct interest:				
Thierry Marie Robert Legrand	811	–	(38)	773
Bi Yong So Chungunco	1,095	706	–	1,801
Jean Desazars de Montgailhard	4,007	–	–	4,007
Martin Kriegner	3,100	–	–	3,100
Daniel Nikolaus Bach	4,681	–	–	4,681

	No. of ordinary shares of €4.00 each			
	Balance as at 1.1.2016	**Bought**	**Sold**	**Balance as at 31.12.2016**
Shares in the penultimate holding company, Lafarge S.A. held by:				
Direct interest:				
Thierry Marie Robert Legrand	3	1,352	–	1,355
Jean Desazars de Montgailhard	6,487	–	–	6,487

	No. of options over ordinary shares of CHF2.00 each			
	Balance as at 1.1.2016	**Granted**	**Exercised/ Expired**	**Balance as at 31.12.2016**
Options over the ordinary shares of the ultimate holding company, Lafarge Holcim Ltd held by:				
Thierry Marie Robert Legrand	9,000	9,000	–	18,000
Bi Yong So Chungunco	9,000	–	–	9,000
Martin Kriegner	9,000	36,410	–	45,410
Daniel Nikolaus Bach	9,000	–	–	9,000

	No. of options over ordinary shares of €4.00 each			
	Balance as at 1.1.2016	**Granted**	**Exercised/ Expired**	**Balance as at 31.12.2016**
Options over the ordinary shares of the penultimate holding company, Lafarge S.A. held by:				
Thierry Marie Robert Legrand	6,240	–	(1,736)	4,504
Bi Yong So Chungunco	19,311	–	(1,736)	17,575
Martin Kriegner	13,886	–	–	13,886

PERFORMANCE SHARES PLAN

In 2007, the penultimate holding company, Lafarge S.A., implemented the Performance Shares Plan ("PSP") under which performance shares of Lafarge S.A. were granted to selected employees and executive officers of Lafarge S.A. and its subsidiaries. The PSP is governed by French laws and the plan was approved by the Board of Directors of Lafarge S.A. on 3 May 2007.

The salient features of the PSP are as follows:

(a) The shares to be issued by Lafarge S.A. will be derived from either existing or to be issued ordinary shares with a nominal value of four (4) Euros each;

(b) The subsidiaries included in the PSP are those entities in which Lafarge S.A. holds directly or indirectly at least 10% of the share capital or of the voting rights;

(c) The vesting period of the performance shares is four (4) years from the date of grant during which ownership of the shares is not transferred. The shares cannot be sold and no dividend is paid on these shares during this period;

(d) Following the vesting period, the Board of Directors of Lafarge S.A. may set a holding period during which the shares may not be transferred;

(e) The shares granted are conditional upon the specific performance condition designated by the Board of Directors of Lafarge S.A. from time to time that must be met within a specific time period for the grant to vest. This condition could apply to a portion of the grant, the whole of the grant, or not at all. This is only when the performance shares in part or in total will vest; and

(f) Upon termination of employment as a result of resignation, dismissal or redundancy during the vesting period, the beneficiary will lose any right to the performance shares which have not been definitively allotted, unless the Board of Directors of Lafarge S.A. decides otherwise.

The movements in the number of performance shares granted to Directors of the Company during the financial year are as follows:

	No. of ordinary shares of CHF2.00 each			
	Balance as at 1.1.2016	**Granted**	**Sold**	**Balance as at 31.12.2016**
Shares in the ultimate holding company, Lafarge Holcim Ltd. in respect of Performance Shares Plan held by:				
Thierry Marie Robert Legrand	4,100	4,100	–	8,200
Bi Yong So Chungunco	4,100	–	–	4,100
Martin Kriegner	4,100	16,254	–	20,354
Daniel Nikolaus Bach	4,100	–	–	4,100

	No. of ordinary shares of €4.00 each			
	Balance as at 1.1.2016	**Granted**	**Sold**	**Balance as at 31.12.2016**
Shares in the penultimate holding company, Lafarge S.A. in respect of Performance Shares Plan held by:				
Thierry Marie Robert Legrand	3,340	–	(1,760)	1,580
Bi Yong So Chungunco	8,463	–	–	8,463
Martin Kriegner	4,038	–	–	4,038

EMPLOYEE SHARE PURCHASE PLAN

In financial year 2011 and 2009, the penultimate holding company, Lafarge S.A., extended its Employee Share Purchase Plan ("ESPP") to eligible Directors and employees of the Group to purchase Lafarge S.A. shares at a preferential rate. The Group will also subsidise 60% of the purchase cost at preferential rate for the first 15 shares purchased by eligible Directors and employees of the Group.

The salient features of the ESPP are as follows:

(a) The shares under ESPP to be issued by Lafarge S.A. will be derived from ordinary shares with a nominal value of four (4) Euros each;

(b) Eligible persons are employees including the Directors of the Company or any company within the Group that meets a minimum employment condition of two (2) months at the beginning of the subscription period. In addition, such person must also be an employee of the Group on the last day of the subscription period;

(c) The subscription price of the shares is fixed in Euros prior to the opening of the subscription period on 1 June 2011 and 12 October 2009 respectively, equal to 80% of the average opening price of Lafarge S.A. share on Euronext Paris S.A. over the twenty (20) trading days preceding of such fixing date ("discounted value");

(d) The minimum purchase of the shares under the ESPP is one (1) share and the maximum payment under the plan is 25% of the total gross annual compensation received by the eligible persons; and

(e) The shares purchased are locked in for a period of five (5) years from the date of grant during which ownership of the shares is not to be transferred, except in the case of early release events, as determined by Lafarge S.A..

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There were no indemnity given to or insurance effected for any Directors, officers and auditors of the Company in accordance with Section 289 of the Companies Act, 2016.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the Financial Statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to the current assets in the Financial Statements of the Group and of the Company misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the Financial Statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

HOLDING COMPANIES

The Company is a subsidiary of Associated International Cement Limited ("AIC"), a company incorporated in the United Kingdom. The Directors regard AIC and LafargeHolcim Ltd., a public-listed company incorporated in Switzerland as the immediate holding company and ultimate holding company, respectively.

AUDITORS

The auditors, Messrs. Deloitte PLT, have expressed their willingness to continue in office.

AUDITORS' REMUNERATION

The amount paid/payable as remuneration of the auditors of the financial year ended 31 December 2016 is as disclosed in Note 10 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

THIERRY MARIE ROBERT LEGRAND

LIM YOKE TUAN

Petaling Jaya, Selangor Darul Ehsan
28 March 2017

06 STATEMENT **BY DIRECTORS**

The Directors of **LAFARGE MALAYSIA BERHAD** state that, in their opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 42 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

THIERRY MARIE ROBERT LEGRAND

LIM YOKE TUAN

Petaling Jaya, Selangor Darul Ehsan
28 March 2017

06 DECLARATION **BY THE DIRECTOR**

PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **LIM YOKE TUAN**, being the Director primarily responsible for the financial management of **LAFARGE MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying Financial Statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LIM YOKE TUAN

Subscribed and solemnly declared by the abovenamed
LIM YOKE TUAN at **PETALING JAYA, SELANGOR DARUL EHSAN**
on this 28th day of March 2017.

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT
AUDITORS' REPORT 06

TO THE MEMBERS OF LAFARGE MALAYSIA BERHAD (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **LAFARGE MALAYSIA BERHAD**, which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 163 .

In our opinion, the financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the requirements of the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters presented below are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company of the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE MEMBERS OF LAFARGE MALAYSIA BERHAD (Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Key audit matter	*How the scope of our audit responded to the key audit matter*
<u>Allowance for inventory obsolescence - Engineering parts and consumables</u> The Group has RM125,155,000 of inventory for critical and non-critical engineering parts and consumables, out of which an allowance for inventory obsolescence of RM23,936,000 in respect of non-critical engineering parts exists as of 31 December 2016. No allowance for inventory obsolescence was made for critical engineering parts. RM2,806,000 of allowance for inventory obsolescence was recognised in profit or loss during the financial year. Significant management judgement is required in determining the completeness of the inventory provisions and making an assessment of its adequacy, considering the age and volumes and the methodology used to calculate the inventory provision. Refer to "Key estimates and assumptions" in Note 4.2.2 to the financial statements.	We tested the reliability of the underlying data used by management to calculate the inventory obsolescence provisions by reperforming the inventory ageing calculation based on recent inventory movement. We also tested the accuracy of the provision by reperforming provisioning percentages against the ageing data for a sample of inventory. We assessed the reasonableness of the recorded level of provision with reference to ageing of inventories and the level of inventory written off during the year. We inquired with engineers during our observation of inventory counts to test the classification between critical and non-critical engineering parts. We performed retrospective review to assess the reasonableness of provision and evaluated the appropriateness of the percentages applied, adequacy of the provision during our observation of annual and perpetual inventory counts and tested the accuracy and completeness of the inventory ageing analysis. Based on our procedures, the allowance for inventory obsolescence is appropriate. We have also assessed the adequacy and appropriateness of the disclosures in the Financial Statements.
<u>Impairment of Goodwill</u> Goodwill of RM208,464,000 was recorded due to the acquisition of Holcim Malaysia in November 2015. The total carrying value of goodwill at 31 December 2016 is RM1,396,134,000. There is a risk of impairment of the Group's goodwill due to varying levels of demand in certain markets. An impairment assessment of goodwill is carried out annually by the Group by assessing the value in use of individual cash generating units which requires significant assumptions. The assessment of the value-in-use requires assumptions to be made with respect of the operating cash flows of the Cash Generating Units ("CGUs") as well as the discount rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit is concentrated on. Refer to "Key estimate and assumptions" in Note 4.2.1 to the financial statements.	In regards to the valuation of goodwill resulting from the acquisition of Holcim Malaysia in November 2015, we have reviewed management's computation on goodwill based on fair value exercise carried out during the financial year. We utilised valuation specialists to independently review the purchase price allocation report produced by management's specialist. We have considered the competency and independence of management's specialist. We also reviewed the appropriateness of management assessment and its accounting treatment of purchase price allocation for the purpose of Group financial statements and ensured proper disclosure in accordance with the requirements of accounting standards. For goodwill impairment assessment, we compared the identification and aggregation of the CGUs against how goodwill is monitored within the business. We performed a review and challenged the discount rates applied for each CGU against the Group weighted average cost of capital. We reviewed management's assessment of impairment of goodwill on consolidation by focusing on the significant assumptions such as discount rates and terminal growth rates, in conjunction with our understanding of the business and conclude whether the methodology used for the assessment and any resulting impairment charge is reasonable. Based on our procedures, the valuation of goodwill is appropriate and no impairment is required. We have also assessed the adequacy and appropriateness of the disclosures in the Financial Statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

TO THE MEMBERS OF LAFARGE MALAYSIA BERHAD (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

TO THE MEMBERS OF LAFARGE MALAYSIA BERHAD (Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we also report that in the case of consolidated financial statements, the names of the subsidiaries, of which we have not acted as auditors, are indicated in Note 16 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 42 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

MARK EVELYN THOMSON
Partner - 3080/06/17 (J)
Chartered Accountant

28 March 2017
Kuala Lumpur

06 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	5	**2,552,205**	2,750,820	**102,059**	232,817
Cost of sales	5	**(1,977,492)**	(1,984,211)	**–**	–
Gross profit		**574,713**	766,609	**102,059**	232,817
Selling and distribution expenses	5	**(334,290)**	(351,590)	**–**	–
Administration expenses	5	**(124,024)**	(87,608)	**(8,864)**	(9,523)
Other expenses	5	**(48,746)**	(37,192)	**(690)**	(6,188)
Other income		**23,110**	54,107	**3,235**	21,082
Investment income	6	**8,250**	7,984	**–**	–
Interest income	6	**4,860**	4,935	**–**	–
Other losses - net	7	**(1,015)**	(2,026)	**–**	–
Profit from operations		**102,858**	355,219	**95,740**	238,188
Finance costs	8	**(19,621)**	(2,206)	**(12,324)**	(1,611)
Share of results of joint venture	17	**(8,956)**	(6,107)	**–**	–
Profit before tax		**74,281**	346,906	**83,416**	236,577
Income tax credit/(expense)	9	**3,448**	(94,344)	**(50)**	97
Profit for the year	10	**77,729**	252,562	**83,366**	236,674
Other comprehensive income/(loss),					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefits retirement plan actuarial (losses)/gains		**(5,524)**	(1,283)	**21**	(32)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(793)**	(8,700)	**–**	–
Net fair value gains on available-for-sale financial assets		**320**	–	**–**	–
Net fair value losses on cash flow hedges		**(105)**	(1,294)	**–**	–

(Forward)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other comprehensive (loss)/income for the year, net of tax		**(6,102)**	(11,277)	**21**	(32)
Total comprehensive income for the year		**71,627**	241,285	**83,387**	236,642
Profit attributable to:					
Owners of the Company		**76,673**	252,335	**83,366**	236,674
Non-controlling interests		**1,056**	227	**–**	–
		77,729	252,562	**83,366**	236,674
Total comprehensive income attributable to:					
Owners of the Company		**70,681**	241,058	**83,387**	236,642
Non-controlling interests		**946**	227	**–**	–
		71,627	241,285	**83,387**	236,642
Earnings per ordinary share (sen)					
Basic and diluted	11	**9.02**	29.70		

The accompanying Notes form an integral part of the financial statements.

06 STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
ASSETS					
Non-current assets					
Property, plant and equipment	12	**1,741,323**	1,666,395	**–**	–
Investment property	13	**3,139**	3,143	**–**	–
Prepaid lease payments on leasehold land	14	**79,116**	104,466	**–**	–
Intangible assets	15	**1,419,290**	1,437,883	**–**	–
Investment in subsidiaries	16	**–**	–	**2,415,761**	2,415,761
Investment in joint venture	17	**25,710**	34,298	**–**	–
Deferred tax assets	18	**15,856**	5,755	**–**	–
Other financial assets	19	**2,491**	2,171	**1,255**	1,255
Total non-current assets		**3,286,925**	3,254,111	**2,417,016**	2,417,016
Current assets					
Inventories	21	**280,048**	290,411	**–**	–
Trade receivables	22	**373,967**	432,245	**–**	–
Other receivables and prepaid expenses	23	**32,145**	38,133	**942**	666
Amounts owing by holding and other related companies	24	**16,617**	20,902	**588**	3,364
Amounts owing by subsidiaries	20	**–**	–	**210,253**	321,450
Other financial assets	19	**345**	1,044	**–**	–
Current tax assets		**59,607**	13,857	**34**	58
Dividend receivable		**–**	–	**–**	56,000
Cash and bank balances	34	**206,188**	311,395	**6,857**	3,530
Total current assets		**968,917**	1,107,987	**218,674**	385,068
Total assets		**4,255,842**	4,362,098	**2,635,690**	2,802,084

(Forward)

AS AT 31 DECEMBER 2016 (CONT'D)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	25	**849,695**	849,695	**849,695**	849,695
Reserves	26	**1,129,007**	1,129,585	**1,100,830**	1,100,830
Retained earnings	27	**1,079,998**	1,110,595	**320,634**	339,211
Equity attributable to owners of the Company		**3,058,700**	3,089,875	**2,271,159**	2,289,736
Non-controlling interests	28	**4,930**	4,929	**–**	–
Total equity		**3,063,630**	3,094,804	**2,271,159**	2,289,736
Non-current liabilities					
Borrowings	29	**–**	7,000	**–**	–
Retirement benefits	30	**80,070**	68,533	**127**	1,187
Deferred tax liabilities	18	**152,976**	188,546	**–**	–
Total non-current liabilities		**233,046**	264,079	**127**	1,187
Current liabilities					
Trade payables	31	**476,338**	443,825	**–**	–
Other payables and accrued expenses	32	**111,294**	103,115	**3,263**	5,102
Amounts owing to holding and other related companies	24	**23,313**	48,861	**17**	1,092
Amounts owing to subsidiaries	20	**–**	–	**81,124**	156,991
Borrowings	29	**347,470**	334,100	**280,000**	280,000
Other financial liabilities	33	**–**	162	**–**	–
Current tax liabilities		**751**	5,176	**–**	–
Dividend payable		**–**	67,976	**–**	67,976
Total current liabilities		**959,166**	1,003,215	**364,404**	511,161
Total liabilities		**1,192,212**	1,267,294	**364,531**	512,348
Total equity and liabilities		**4,255,842**	4,362,098	**2,635,690**	2,802,084

The accompanying Notes form an integral part of the financial statements.

06 STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company									
		Non-distributable					Distributable			
Group	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Exchange equalisation reserve RM'000	Investments revaluation reserve RM'000	Hedging reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
As at 1 January 2015	849,695	1,067,199	33,798	37,127	36	1,419	1,131,447	3,120,721	4,223	3,124,944
Profit for the year (adjusted)	–	–	–	–	–	–	252,335	252,335	227	252,562
Other comprehensive loss for the year, net of tax	–	–	–	(8,700)	–	(1,294)	(1,283)	(11,277)	–	(11,277)
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	816	816
Dividends (Note 27)	–	–	–	–	–	–	(271,904)	(271,904)	(337)	(272,241)
As at 31 December 2015	849,695	1,067,199	33,798	28,427	36	125	1,110,595	3,089,875	4,929	3,094,804
As at 1 January 2016, as originally stated	**849,695**	**1,067,199**	**33,798**	**28,427**	**36**	**125**	**1,109,266**	**3,088,546**	**5,225**	**3,093,771**
Effect of completion of purchase price allocation (Note 16.3)	**–**	**–**	**–**	**–**	**–**	**–**	**1,329**	**1,329**	**(296)**	**1,033**
	849,695	**1,067,199**	**33,798**	**28,427**	**36**	**125**	**1,110,595**	**3,089,875**	**4,929**	**3,094,804**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**76,673**	**76,673**	**1,056**	**77,729**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**(793)**	**320**	**(105)**	**(5,414)**	**(5,992)**	**(110)**	**(6,102)**
Acquisition of additional interests in an existing subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**108**	**108**	**(945)**	**(837)**
Dividends (Note 27)	**–**	**–**	**–**	**–**	**–**	**–**	**(101,964)**	**(101,964)**	**–**	**(101,964)**
As at 31 December 2016	**849,695**	**1,067,199**	**33,798**	**27,634**	**356**	**20**	**1,079,998**	**3,058,700**	**4,930**	**3,063,630**

The accompanying Notes form an integral part of the financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

Company	Share capital RM'000	Share premium RM'000	Capital redemption reserve RM'000	Retained earnings RM'000	Total equity RM'000
		← Non-distributable	→	Distributable	
As at 1 January 2015	849,695	1,067,191	33,639	374,473	2,324,998
Total comprehensive income for the year	–	–	–	236,642	236,642
Dividends (Note 27)	–	–	–	(271,904)	(271,904)
As at 31 December 2015/1 January 2016	**849,695**	**1,067,191**	**33,639**	**339,211**	**2,289,736**
Total comprehensive income for the year	**–**	**–**	**–**	**83,387**	**83,387**
Dividends (Note 27)	**–**	**–**	**–**	**(101,964)**	**(101,964)**
As at 31 December 2016	**849,695**	**1,067,191**	**33,639**	**320,634**	**2,271,159**

The accompanying Notes form an integral part of the financial statements.

06 STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax		**74,281**	346,906	**83,416**	236,577
Adjustments for:					
Depreciation of property, plant and equipment		**187,702**	154,129	**–**	–
Provision for retirement benefits		**9,347**	8,768	**142**	130
Allowance for inventory obsolescence		**2,806**	6,080	**–**	–
Amortisation of prepaid lease payments on leasehold land		**5,577**	6,456	**–**	–
Property, plant and equipment written off		**6,703**	1,314	**–**	–
Finance costs		**19,621**	2,206	**12,324**	1,611
Impairment loss recognised on trade receivables		**4,780**	1,669	**–**	–
Amortisation of intangible assets		**2,586**	719	**–**	–
Depreciation of investment property		**4**	9	**–**	–
Interest income		**(4,860)**	(4,935)	**(59)**	(154)
Unrealised gain on foreign exchange		**(426)**	(22,706)	**(3,043)**	(21,082)
Share of results of joint venture		**8,956**	6,107	**–**	–
Reversal of impairment loss on:					
- investment property		**–**	(186)	**–**	–
- trade receivables		**(2,016)**	(2,850)	**–**	–
Dividend income		**(189)**	(162)	**(102,000)**	(232,663)
Reversal of allowance for inventory obsolescence		**(3,236)**	(6,771)	**–**	–
Net unrealised (gain)/loss arising on:					
- hedge ineffectiveness on cash flow hedges		**(30)**	(42)	**–**	–
- financial assets designated as at fair value through profit or loss		**(31)**	(4)	**–**	–
- financial liabilities classified as held for trading		**(26)**	25	**–**	–
Loss/(gain) on disposal of:					
- property, plant and equipment		**2,478**	(1,942)	**–**	–
- investment properties		**–**	129	**–**	–
- quoted investment		**–**	(18)	**–**	–
Gain on bargain purchase arising from acquisition of subsidiary		**(602)**	–	**–**	–
Loss on disposal of a subsidiary		**8,255**	–	**–**	–
Operating Profit/(Loss) Before Working Capital Changes		**321,680**	494,901	**(9,220)**	(15,581)
(Increase)/decrease in:					
Inventories		**(2,014)**	8,898	**–**	–
Receivables		**41,291**	(3,526)	**152**	(154)
Amounts owing by holding and other related companies		**5,054**	(6,961)	**2,776**	–
Amounts owing by subsidiaries		**–**	–	**114,240**	1,169
Increase/(decrease) in:					
Payables		**43,935**	(31,211)	**(1,839)**	4,012
Amounts owing to holding and other related companies		**(25,582)**	12,315	**(1,075)**	–
Amounts owing to subsidiaries		**–**	–	**(75,867)**	77,606

(Forward)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016 (CONT'D)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cash Generated From Operations		**384,364**	474,416	**29,167**	67,052
Retirement benefits paid		**(5,974)**	(1,919)	**(1,181)**	–
Income tax (paid)/refunded		**(86,101)**	(89,070)	**(26)**	100
Net Cash From Operating Activities		**292,289**	383,427	**27,960**	67,152
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Payment for prepaid lease payments		**(450)**	(2,062)	**–**	–
Purchase of property, plant and equipment		**(247,691)**	(216,728)	**–**	–
Proceeds from disposal of property, plant and equipment		**2,888**	5,018	**–**	–
Proceeds from disposal of an investment property		**–**	194	**–**	–
Proceeds from disposal of a quoted investment		**–**	36	**–**	–
Acquisition of additional interest in a joint venture		**–**	(13,372)	**–**	–
Acquisitions of additional interests in an existing subsidiary		**(837)**	–	**–**	–
Interest received		**4,860**	4,935	**59**	154
Dividends received		**189**	162	**158,000**	244,663
Net cash inflow on disposal of a subsidiary	16.1	**27,972**	–	**–**	–
Net cash outflow on acquisition of subsidiaries	16.2	**(356)**	(319,474)	**–**	(325,545)
Net Cash (Used In)/From Investing Activities		**(213,425)**	(541,291)	**158,059**	(80,728)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Drawdown of borrowings		**14,500**	282,500	**–**	280,000
Repayment of borrowings		**(14,600)**	(3,511)	**–**	–
Interest paid		**(21,537)**	(2,206)	**(12,752)**	(1,611)
Dividends paid		**(169,940)**	(271,904)	**(169,940)**	(271,904)
Dividend paid to a non-controlling interest		**–**	(337)	**–**	–
Net Cash (Used in)/From Financing Activities		**(191,577)**	4,542	**(182,692)**	6,485
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(112,713)**	(153,322)	**3,327**	(7,091)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,036**	3,848	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**311,395**	460,869	**3,530**	10,621
CASH AND CASH EQUIVALENTS AT END OF YEAR	34	**199,718**	311,395	**6,857**	3,530

The accompanying Notes form an integral part of the financial statements.

06 NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 16.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

The Company is a subsidiary of Associated International Cement Limited ("AIC"), a company incorporated in the United Kingdom. The Directors regard AIC and LafargeHolcim Ltd., a public-listed company incorporated in Switzerland as the immediate holding company and ultimate holding company, respectively.

The Company's registered office and principal place of business are located at Level 12, Bangunan TH Uptown 3, No. 3, Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance on 28 March 2017.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 1965 in Malaysia.

2.1 Adoption of New and Revised Malaysian Financial Reporting Standards

In the current financial year, the Group and the Company have adopted revised Standards and Amendments issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to the operations and effective for annual periods beginning on or after 1 January 2016 as follows:

Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRSs	Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of these revised Standards and Amendments have not affected the amounts reported in the financial statements of the Group and of the Company.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT'D)

2.2 Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards relevant to the Group and the Company which were in issue but not yet effective and not early adopted by the Group and the Company are as listed below.

MFRS 9	Financial Instruments[2]
MFRS 15	Revenue from Contracts with Customers[2]
MFRS 16	Leases[3]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to MFRS 107	Disclosure Initiative[1]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to MFRS 140	Transfers of Investment Property[2]
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]
Amendments to MFRSs	Annual Improvements to IFRSs 2014 - 2016 Cycle[1or2]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] Effective date to be determined

The Directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these Standards and Amendments will have no material impact on the financial statements of the Group and of the Company in the period of initial application except for MFRS 9 and MFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 and MFRS 15 until the Group and the Company undertakes a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Accounting

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2, leasing transaction that are within the scope of MFRS 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value-in-use in MFRS 136.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of Accounting (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 35.5.

The principal accounting policies are set out below.

3.2 Subsidiaries and Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Subsidiaries and Basis of Consolidation (Cont'd)

3.2.1 Changes in Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the relevant assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable MFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

3.2.2 Subsidiaries

Investments in subsidiaries which are eliminated on consolidation, are stated at cost less impairment losses, if any, in the Company's separate financial statements.

3.3 Business Combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under MFRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Business Combinations (Cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another MFRS.

3.4 Investment in Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in joint venture are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venutre recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

3.5 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Goodwill (Cont'd)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Impairment of Goodwill

At the end of each reporting period, the net book value of goodwill is tested for impairment by using a combination of a market approach (fair value less costs to sell) and an income approach (value-in-use). In the market approach, comparison is made on the carrying value of the cash-generating units with multiples of earnings before interest, tax, depreciation and amortisation ("EBITDA"). In the income approach, value-in-use is applied by estimating the discounted value of the sum of the expected future cash flows. If the carrying value of the cash-generating unit exceeds the higher of the fair value less costs to sell or the value-in-use of the related assets and liabilities, an impairment of goodwill will be recognised in the profit or loss. Evaluations for impairment are impacted by estimates of future selling prices of products, the evolution of expenses, economic trends in the local and international construction sector and other factors. The result of these evaluations requires the Group to estimate the future cash flows expected to arise from the cash-generating units, constant growth rates and a suitable discount rate.

3.7 Revenue Recognition

Revenue of the Group from sale of clinker, cement, ready-mixed concrete, aggregates and other building materials is stated at invoiced value net of discounts, rebates, commissions and returns. Revenue of the Company represents gross dividend and interest income received and/or receivable from subsidiaries and financial institutions.

Revenue is recognised on the following bases:

- Gross invoiced value of goods sold: upon shipment/delivery of products, net of discounts, rebates, commissions and returns and when the risks and rewards of ownership have passed to the customers.
- Dividend income: when the shareholder's right to receive payment is established.
- Interest income: on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.
- Rental income: on a straight line basis over the tenure of the rental period of properties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Leasing

Leases of property, plant and equipment where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under such leases are charged to the profit or loss as rental charges. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

3.8.1 The Group as Lessor

The Group's Lorry-Owner-Driver ("LOD") scheme has been accounted for as property, plant and equipment that are leased to the drivers under operating leases based on the economic substance of the arrangement. Payments received under the lease are credited to profit or loss.

3.8.2 The Group as Lessee

Assets held under finance leases are recognised as property, plant and equipment or receivables as appropriate at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

3.9 Prepaid Lease Payments on Leasehold Land

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The up-front payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease are accounted for as prepaid lease payments that are amortised over the lease term on a straight line basis except for leasehold land classified as investment property.

The leasehold land was last revalued in 1993. Upon the adoption of MFRS 117, the leasehold land previously classified as property, plant and equipment was reclassified as prepaid lease payment at its revalued amount which was taken as the surrogate carrying amount of the prepaid lease payment less accumulated amortisation up to 1 January 2011, being the transition date in adopting the MFRS framework.

3.10 Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Ringgit Malaysia ("RM"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Foreign Currencies (Cont'd)

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.22.2 below for hedging accounting policies).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RM using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.12 Employee Benefits

3.12.1 Short-Term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employee Benefits (Cont'd)

3.12.2 Post-Employment Benefits

The Group and the Company have various post-employment benefit schemes in accordance with local conditions and practices in the countries in which they operate. These benefit plans are either defined contribution or defined benefit plans.

(a) Defined Contribution Plans
The Group and the Company make statutory contributions to approved provident funds and the contributions are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(b) Defined Benefit Plan
The Group and the Company operate an unfunded final salary defined benefit plan covering eligible employees. The retirement benefit accounting cost is assessed using the Projected Unit Credit Method, with actuarial valuation being carried out at the end of each reporting period. The latest actuarial valuation was undertaken on 7 February 2017.

The retirement benefit obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

(c) Termination Benefits
Termination benefits are payable whenever an employee's employment is terminated before normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

3.12.3 Share-Based Payments

(a) Performance Share Plan ("PSP")
The fair values of shares issued by the penultimate holding company under the PSP are measured at grant date. The financial impact of PSP granted to selected employees and executive officers of the Group and of the Company for the current and previous financial years is not material and has been accounted for accordingly in the financial statements of the penultimate holding company, Lafarge S.A..

(b) Employee Share Purchase Plan ("ESPP")
In financial year 2011, the penultimate holding company's ESPP was extended to the eligible Directors and employees of the Group.

The Group records a compensation cost when the conditions of the shares granted for purchase to eligible Directors and employees of the Group are significantly different from market conditions.

This cost is measured at the grant date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employee Benefits (Cont'd)

3.12.3 Share-Based Payments (Cont'd)

(b) Employee Share Purchase Plan ("ESPP") (Cont'd)
The measurement of the cost takes into account the subsidised amount by the Group and discount granted on the share price. Subsidised amount of this compensation cost is expensed in the period in which they are incurred (considered as compensation for past services) but the discount granted is recognised as an expense over the vesting period attached to the shares issued.

The financial impact of the ESPP on the financial statements of the Group and of the Company is not material.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.13.2 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Taxation (Cont'd)

3.13.2 Deferred Tax (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

3.13.3 Current and Deferred Tax for the Period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

3.14 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

The costs of self-constructed assets also include the cost of materials and direct labour.

Purchased software including development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Property, Plant and Equipment (Cont'd)

The Group's policy is to state its property, plant and equipment at cost. Revaluation of the Group's freehold land and building in 1993 was carried out primarily to cater for the bonus issue exercise and was not intended to effect a change in accounting policy to revalue its properties. Hence, in accordance with the transitional provisions of MASB Approved Accounting Standard IAS 16 (Revised) *Property, Plant and Equipment*, these properties were previously stated at their last revalued amounts less accumulated depreciation up to 1 January 2011, being the transition date in adopting the MFRS framework.

Freehold land is not depreciated. Depreciation of other property, plant and equipment is computed on a straight line basis to write off the cost or valuation over their estimated useful lives.

The principal annual rates are:

	2016	**2015**
Land improvement	Over the remaining period of leases ranging from 5 to 82 years	Over the remaining period of leases ranging from 5 to 83 years
Buildings	2% to 10%	2% to 10%
Office equipment, furniture and fittings and motor vehicles	10% to 33.33%	10% to 33.33 %
Plant, machinery and cement silos	2% to 20%	2% to 20%

Capital work-in-progress is not depreciated until they have been completed and ready for commercial operation.

At the end of each reporting period, the residual values, useful lives and depreciation method of the property, plant and equipment are reviewed, and the effects of any changes in estimates are recognised prospectively.

3.15 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at cost less accumulated depreciation and provision for any impairment losses. Freehold land is not depreciated. Building is depreciated on a straight line basis to write off the cost over its estimated useful life at annual rate of 4%.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year in which they arise.

3.16 Quarry Rights

Quarry rights represent the consideration paid to obtain limestone and is amortised on a straight line basis to write off the cost over the lives of the quarry agreements. Where an indication of impairment exists, the carrying amount of quarry right is assessed and written down immediately to its recoverable amount. The amortisation period and the amortisation method for the quarry rights are reviewed at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Impairment of Non-financial Assets Excluding Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.18 Inventories

Inventories comprising fuels, raw and packing materials, finished and semi-finished goods, engineering spares and consumables are stated at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis.

Cost of fuels, raw and packing materials, engineering spares and consumables comprises the original purchase price plus costs incurred in bringing the inventories to their present location and condition. Cost of finished and semi-finished goods comprises fuels, raw and packing materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Allowance for inventory obsolescence is made when an item has been identified as obsolete or excess inventory. The identification of an item as obsolete is done on an item by item basis after proper analysis has been conducted. Allowance is also made when inventories are generally considered in excess when the quantity on hand exceeds the normal operational needs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate on the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.20 Financial Instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, such financial assets are recognised and derecognised on trade date.

Financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.20.1 <u>Effective Interest Method</u>

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.20.2 <u>Financial Assets at FVTPL</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Financial Instruments (Cont'd)

3.20.2 Financial Assets at FVTPL (Cont'd)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 35.5.

3.20.3 Held-To-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.20.4 AFS Financial Assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. All AFS assets are measured at fair value at the end of the reporting period. Fair value is determined in the manner described in Note 35.5. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Financial Instruments (Cont'd)

3.20.4 AFS Financial Assets (Cont'd)

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

3.20.5 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.20.6 Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable bonds classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Financial Instruments (Cont'd)

3.20.6 Impairment of Financial Assets (Cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.20.7 Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.21 Financial Liabilities and Equity Instruments Issued by the Group and the Company

3.21.1 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.21.2 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

3.21.3 Financial Liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Financial Liabilities and Equity Instruments Issued by the Group and the Company (Cont'd)

3.21.4 Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and MFRS 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 35.5.

3.21.5 Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.21.6 Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate, interest rate and commodity price risk, including foreign exchange forward contracts, interest rate swap contracts and commodity swap contracts. Further details of derivative financial instruments are disclosed in Note 35.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.22.1 Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

3.22.2 Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 35 sets out details of the fair values of the derivative instruments used for hedging purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 Derivative Financial Instruments (Cont'd)

3.22.3 Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the other comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

3.22.4 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item.

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3.23 Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash and cash equivalents comprise cash and bank balances, term deposits and other short-term, highly liquid investments that are readily convertible into cash with insignificant risk of changes in value, against which bank overdrafts, if any, are deducted.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical Judgements in Applying the Group's Accounting Policies

In the process of applying the Group's accounting policies, the Directors are of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amount recognised in the financial statements.

4.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities of the Group and of the Company within the next financial year is discussed below.

4.2.1 Impairment of Goodwill

The determination of recoverable amounts of the cash-generating units ("CGUs") assessed in the annual goodwill impairment test requires an estimate of their fair value net of disposal costs and their value-in-use. The assessment of the value-in-use requires assumptions to be made with respect of the operating cash flows of the CGUs as well as the discount rates. Evaluation for impairment is significantly impacted by estimates of future prices for the products, the evolution of expenses, economic trends in the local and international construction sectors, expectations of long-term development of growing markets and other factors. The results of such evaluation are also impacted by the discount rates and perpetual growth rates used. The Group has defined country specific discount rates for its CGUs based on the weighted-average cost of capital.

The carrying amount of the Group's goodwill as at 31 December 2016 was approximately RM1,396,134,000 (2015: RM1,412,141,000). Further details are disclosed in Note 15.

4.2.2 Engineering Parts and Consumables

Engineering parts and consumables are replacement parts and consumables of a plant. Their obsolescence is based on the analysis of the ageing of the parts and consumables as well as the analysis of the capacity of such materials to be used based on their levels of preservation and maintenance, and their potential obsolescence due to technological change. Details on engineering parts and consumables can be found in Note 21.

4.2.3 Retirement Benefits

The Group has engaged an independent external actuary to assess the provision for retirement benefits. Projected Unit Credit Cost Method is used to determine the present value of the defined benefit obligation and the related current service cost. Under this method, a "projected accrued benefit" is calculated based upon service as of the date of valuation. However, when the benefit formula is based on future compensation and social security levels, assumptions about the growth of those amounts projected to the age at which the employee is assumed to leave active service will be used. Financial and demographic assumptions are used in assessing the actuarial value of the benefit obligations. Financial assumptions used include discount rate, price inflation rate and salary increment rate. While demographic assumptions include staff turnover rate, pre-retirement mortality, normal retirement age and new entrant profile. Further details are disclosed in Note 30.

5. REVENUE AND OPERATING COSTS

5.1 Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of clinker, cement, ready-mixed concrete, aggregates and other building materials	**2,550,907**	2,747,529	**–**	–
Freight and chartering of vessels and jetty services	**498**	2,148	**–**	–
Shared services	**800**	1,143	**–**	–
Gross dividend from unquoted investments in subsidiaries in Malaysia	**–**	–	**102,000**	232,663
Interest income:				
Term deposits	**–**	–	**12**	107
Others	**–**	–	**47**	47
	2,552,205	2,750,820	**102,059**	232,817

5.2 Operating Costs Applicable to Revenue

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Raw and packing materials and other consumables used and changes in inventories of finished goods	**1,653,215**	1,677,493	**–**	–
Depreciation and amortisation	**195,869**	161,313	**–**	–
Staff costs	**219,027**	188,730	**1,698**	1,396
Directors' remuneration	**5,642**	6,908	**3,408**	4,982
Others	**410,799**	426,157	**4,448**	9,333
	2,484,552	2,460,601	**9,554**	15,711

5.3 Staff Costs

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages, salaries and bonuses	**156,797**	143,538	**1,161**	1,052
Defined contribution retirement plans	**15,571**	14,416	**132**	40
Termination benefits	**7,978**	183	**–**	–
Defined benefit retirement plan	**9,347**	8,768	**142**	130
Other employee benefits	**29,334**	21,825	**263**	174
	219,027	188,730	**1,698**	1,396

5. REVENUE AND OPERATING COSTS (CONT'D)

5.4 Directors' Remuneration

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Directors of the Company				
Executive Directors:				
Salaries and other emoluments	**2,476**	3,848	**2,476**	3,848
Estimated monetary value of benefits	**509**	765	**509**	765
Defined contribution retirement plan	**117**	97	**117**	97
	3,102	4,710	**3,102**	4,710
Non-executive Directors:				
Fees	**306**	272	**306**	272
	3,408	4,982	**3,408**	4,982
Directors of the Subsidiaries				
Executive Directors:				
Salaries and other emoluments	**1,681**	1,505	**–**	–
Estimated monetary value of benefits	**495**	366	**–**	–
Defined contribution retirement plan	**43**	40	**–**	–
	2,219	1,911	**–**	–
Non-executive Directors:				
Fees	**15**	15	**–**	–
	2,234	1,926	**–**	–
Total	**5,642**	6,908	**3,408**	4,982

6. INVESTMENT AND INTEREST INCOME

	Group	
	2016 RM'000	**2015 RM'000**
Investment income from:		
- operating lease under Lorry-Owner-Driver scheme	**7,393**	7,015
- other rental income	**557**	696
- rental of investment property	**111**	111
Dividends from available-for-sale investments	**189**	162
	8,250	7,984
Interest income from:		
- loans and receivables (including cash and bank balances)	**4,860**	4,935

6. INVESTMENT AND INTEREST INCOME (CONT'D)

The following is an analysis of investment income earned on financial assets and non-financial assets by category of asset:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Interest income for financial assets not designated at FVTPL:		
- loans and receivables (including cash and bank balances)	**4,860**	4,935
Income earned on available-for-sale investments	**189**	162
Income earned on non-financial assets	**8,061**	7,822
Total investment and interest income	**13,110**	12,919

Revenue relating to financial assets classified at FVTPL is included in "other losses - net" in Note 7.

7. OTHER LOSSES - NET

	Group	
	2016	**2015**
	RM'000	**RM'000**
Net (loss)/gain arising on financial assets designated as at FVTPL		
- realised	**(1,031)**	(2,045)
- unrealised	**31**	4
Net gain/(loss) arising on financial liabilities classified as held for trading		
- unrealised	**26**	(25)
Hedge ineffectiveness on cash flow hedges		
- realised	**(71)**	(2)
- unrealised	**30**	42
	(1,015)	(2,026)

No other gains or losses have been recognised in respect of loans and receivables or held-to-maturity investment, other than as disclosed in Note 6 and impairment losses recognised/reversed in respect of trade receivables (Note 10 and Note 22).

8. FINANCE COSTS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Finance costs on:				
- term loan borrowings	**612**	41	**–**	–
- medium term note	**12,011**	1,611	**12,011**	1,611
- bankers' acceptance	**175**	27	**–**	–
- bank overdraft	**4,619**	–	**313**	–
- revolving credit	**1,998**	197	**–**	–
- others	**206**	330	**–**	–
	19,621	2,206	**12,324**	1,611

9. INCOME TAX (CREDIT)/EXPENSE

9.1 Income Tax Recognised in Profit or Loss

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Malaysia				
Estimated current tax payable:				
- current year	**38,170**	114,724	**12**	–
- (over)/under provision in prior years	**(1,998)**	314	**38**	(98)
Deferred tax:				
- current year	**(40,704)**	(20,685)	**–**	1
- (over)/under provision in prior years	**(166)**	820	**–**	–
	(4,698)	95,173	**50**	(97)
Foreign				
Estimated current tax payable:				
- current year	**189**	212	**–**	–
- overprovision in prior years	**–**	(21)	**–**	–
Deferred tax:				
- current year	**1,061**	(1,020)	**–**	–
	1,250	(829)	**–**	–
Total income tax expense	**(3,448)**	94,344	**50**	(97)

Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

9.1 Income Tax Recognised in Profit or Loss (Cont'd)

The total tax (credit)/expense for the year can be reconciled to the accounting profit as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit before tax	**74,281**	346,906	**83,416**	236,577
Tax expense calculated using the Malaysian statutory income tax rate of 24% (2015: 25%)	**17,827**	86,727	**20,020**	59,144
Tax effects of:				
– different tax rates of subsidiaries operating in other jurisdictions	**(190)**	(608)	**–**	–
– effect on deferred tax balances due to the change in income tax rate from 25% to 24% (effective 1 January 2016)	**–**	208	**–**	–
– expenses that are not deductible in determining taxable profit	**15,546**	8,406	**4,472**	–
– income not subject to tax	**(1,506)**	(1,702)	**–**	(977)
– revenue that is exempt from tax	**(506)**	(1,114)	**(24,480)**	(58,166)
– movement of deferred tax assets not recognised	**(1,532)**	2,468	**–**	–
– utilisation of previous year tax losses	**–**	56	**–**	–
– utilisation of reinvestment allowances	**(1,571)**	–	**–**	–
– utilisation of deferred tax assets not previously recognised	**(195)**	(725)	**–**	–
– recognition of deferred tax arising from reinvestment allowance	**(30,466)**	–	**–**	–
– (over)/under provision of tax payable in prior years	**(1,998)**	293	**38**	(98)
– (over)/under provision of deferred tax in prior years	**(166)**	820	**–**	–
– others	**1,309**	(485)	**–**	–
Income tax (credit)/expense recognised in profit or loss	**(3,448)**	94,344	**50**	(97)

9. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

9.1 Income Tax Recognised in Profit or Loss (Cont'd)

The Budget 2017 announced on 21 October 2016 reduced the corporate income tax rate from 24% to rates below based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point of reduction in income tax rate	Reduced income tax rate on increase in chargeable income %
Less than 5%	Nil	24
5% - 9.99%	1	23
10% - 14.99%	2	22
15% - 19.99%	3	21
20% and above	4	20

The above changes are effective for years of assessment 2017 and 2018. Following this, the applicable tax rates to be used for the measurement of any applicable deferred tax will be at the expected rates.

9.2 Income Tax Expense Recognised in Other Comprehensive Income

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deferred Tax				
Arising on income and expenses recognised in other comprehensive income:				
– Defined benefits retirement plan actuarial loss	**(1,756)**	(392)	**–**	–
– Revaluations of financial instruments treated as cash flow hedges	**32**	14	**–**	–
	(1,724)	(378)	**–**	–
Reclassification from equity to profit or loss:				
– Relating to cash flow hedges	**(14)**	(230)	**–**	–
Total income tax expense recognised in other comprehensive income	**(1,738)**	(608)	**–**	–

As at 31 December 2016, the Company has total tax exempt income amounting to approximately RM293,165,000 (2015: RM293,165,000) arising mainly from exempt accounts namely Para 28, Sub (2) Schedule 6 of Malaysia Income Tax Act, 1967, Malaysia Income Tax (Exemption) (No. 48) Order 1987, Section 12 of Malaysia Income Tax (Amendment) Act, 1999 and exempt dividend income. Subject to approval by the tax authorities, these tax exempt income accounts are available to distribute tax exempt dividends out of the retained earnings of the Company.

9. INCOME TAX (CREDIT)/EXPENSE (CONT'D)

9.2 Income Tax Expense Recognised in Other Comprehensive Income (Cont'd)

As at 31 December 2016, certain subsidiaries have the following tax exempt income arising from various sources:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Reinvestment allowances claimed and utilised under Schedule 7A of the Malaysia Income Tax Act, 1967	**949,728**	949,728
Tax exempt income claimed under Section 54A of the Malaysia Income Tax Act, 1967	**54,872**	54,872
Chargeable income on which income tax has been waived in 1999 in accordance with the Malaysia Income Tax (Amendment) Act, 1999	**6,330**	6,330
Tax exempt income claimed under Para 28, Schedule 6 of the Malaysia Income Tax Act, 1967	**301,528**	301,528
Exempt account income – 1st Tier	**23,811**	23,811
	1,336,269	1,336,269

These tax exempt income accounts, which are subject to approval by the tax authorities, are available to frank the payment of any tax exempt dividends to shareholders of the subsidiaries.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
10.1 Impairment Losses on Financial Assets				
Impairment loss recognised on trade receivables (Note 22)	**4,780**	1,669	**–**	–
Reversal of impairment loss recognised on trade receivables (Note 22)	**(2,016)**	(2,850)	**–**	–

10. PROFIT FOR THE YEAR (CONT'D)

Profit for the year has been arrived at after charging/(crediting): (Cont'd)

		Group		Company	
		2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
10.2	**Depreciation and Amortisation Expense**				
	Depreciation of property, plant and equipment	**187,702**	154,129	**–**	–
	Depreciation of investment property	**4**	9	**–**	–
	Amortisation of prepaid lease payments on leasehold land	**5,577**	6,456	**–**	–
	Amortisation of intangible assets	**2,586**	719	**–**	–
	Total depreciation and amortisation expense	**195,869**	161,313	**–**	–
10.3	**Inventories**				
	Allowance for slow moving inventory	**2,806**	6,080	**–**	–
	Reversal of allowance for slow moving inventory	**(3,236)**	(6,771)	**–**	–
10.4	**Other Charges/(Credit)**				
	Rental of premises and equipment	**48,365**	43,794	**–**	–
	Provision for retirement benefits	**9,347**	8,768	**142**	130
	(Gain)/loss on foreign exchange:				
	– realised	**(4,727)**	12,493	**(191)**	338
	– unrealised	**(426)**	(22,706)	**(3,043)**	(21,082)
	Property, plant and equipment written off	**6,703**	1,314	**–**	–
	Fees paid/payable to external auditors:				
	Statutory audit:				
	– auditors of the Company	**618**	582	**135**	67
	– other member firm of the auditors of the Company	**326**	195	**–**	–
	– other auditor	**–**	10	**–**	–
	Non-audit services:				
	– auditors of the Company	**64**	44	**–**	–
	– other member firm of the auditors of the Company	**83**	88	**–**	–
	Loss/(gain) on disposal of:				
	– property, plant and equipment	**2,478**	(1,942)	**–**	–
	– investment property	**–**	129	**–**	–
	– quoted investment	**–**	(18)	**–**	–
	Loss on disposal of a subsidiary (Note 16.1)	**8,255**	–	**–**	–
	Gain on a bargain purchase (Note 16.2)	**(602)**	–	**–**	–
	Reversal of impairment loss on a investment property (Note 13)	**–**	(186)	**–**	–

11. EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the year as follows:

Basic earnings per share

	Group	
	2016	**2015 (Restated)**
	RM'000	**RM'000**
Profit attributable to owners of the Company	**76,673**	252,335

	Group	
	2016	**2015**
	Units'000	**Units'000**
Number of ordinary shares in issue	**849,695**	849,695

	Group	
	2016	**2015 (Restated)**
Basic earnings per ordinary share (sen)	**9.02**	29.70

Diluted earnings per share

The basic and diluted earnings per share are the same as the Company has no dilutive potential ordinary shares.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation							
As at 1 January 2015	37,800	69,214	213,566	79,976	3,232,232	96,830	3,729,618
Additions	–	–	5,272	83	21,279	207,374	234,008
Arising from acquisition of subsidiaries (Note 16.3)	–	–	21,621	11,797	74,067	16,749	124,234
Reclassifications	–	–	13,894	5,907	109,142	(129,398)	(455)
Disposals	(2,925)	–	–	(792)	(3,763)	–	(7,480)
Write-offs	–	–	(259)	(3,149)	(4,574)	–	(7,982)
Effect of foreign currency exchange differences	–	–	1,403	698	12,170	–	14,271
As at 31 December 2015	34,875	69,214	255,497	94,520	3,440,553	191,555	4,086,214
Accumulated Depreciation							
As at 1 January 2015	–	25,860	161,808	75,441	1,999,609	–	2,262,718
Charge for the year	–	5,493	3,039	2,226	143,371	–	154,129
Disposals	–	–	–	(789)	(3,615)	–	(4,404)
Write-offs	–	–	(213)	(5,741)	(714)	–	(6,668)
Reclassifications	–	(32)	–	–	–	–	(32)
Effect of foreign currency exchange differences	–	–	1,400	696	11,940	–	14,036
As at 31 December 2015	–	31,321	166,034	71,833	2,150,591	–	2,419,779

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group

	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Cost/Valuation							
As at 1 January 2016	34,875	69,214	255,497	94,520	3,440,553	191,555	4,086,214
Additions	–	9,860	144	730	714	254,657	266,105
Arising from acquisition of subsidiaries (Note 16.2)	–	–	–	–	–	359	359
Arising from disposal of subsidiaries (Note 16.1)	–	–	–	(170)	(8,170)	–	(8,340)
Reclassifications	–	18,716	18,975	993	266,122	(301,844)	2,962
Disposals	–	–	(1,127)	(5,137)	(6,508)	–	(12,772)
Write-offs	–	–	(2,329)	(1,123)	(10,631)	(718)	(14,801)
Capitalisation of engineering spares from inventories	–	–	–	–	10,120	–	10,120
Effect of foreign currency exchange differences	–	–	212	80	1,281	8	1,581
As at 31 December 2016	34,875	97,790	271,372	89,893	3,693,481	144,017	4,331,428
Accumulated Depreciation							
As at 1 January 2016	–	31,321	166,034	71,833	2,150,591	–	2,419,779
Charge for the year	–	8,460	4,992	5,801	168,449	–	187,702
Arising from disposal of subsidiaries (Note 16.1)	–	–	–	(127)	(3,608)	–	(3,735)
Disposals	–	–	–	(1,005)	(6,401)	–	(7,406)
Write-offs	–	–	(1,750)	(679)	(5,669)	–	(8,098)
Reclassifications	–	5,505	61	194	(5,486)	–	274
Effect of foreign currency exchange differences	–	–	213	80	1,256	–	1,549
As at 31 December 2016	–	45,286	169,550	76,097	2,299,132	–	2,590,065

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group

	Freehold Land RM'000	Land Improvement RM'000	Buildings RM'000	Office Equipment, Furniture and Fittings and Motor Vehicles RM'000	Plant, Machinery and Cement Silos RM'000	Capital Work-in-Progress RM'000	Total RM'000
Provision for Impairment Loss							
As at 1 January 2015 and 31 December 2015	40	–	–	–	–	–	40
As at 1 January 2016 and 31 December 2016	**40**	**–**	**–**	**–**	**–**	**–**	**40**
Net Book Value							
As at 31 December 2016	**34,835**	**52,504**	**101,822**	**13,796**	**1,394,349**	**144,017**	**1,741,323**
As at 31 December 2015	34,835	37,893	89,643	22,687	1,289,962	191,555	1,666,395

Note

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM266,105,000 (2015: RM234,008,000) of which RM38,870,000 (2015: RM29,586,000) remains unpaid and included in other payables. Cash payments of RM247,691,000 (2015: RM216,728,000) were made to purchase property, plant and equipment of which RM56,396,000 (2015: RM12,306,000) were paid for prior years acquisitions.

As at 31 December 2016, included in property, plant and equipment of the Group are fully depreciated property, plant and equipment at an aggregate cost of approximately RM813,736,000 (2015: RM777,133,000) which are still in use.

13. INVESTMENT PROPERTY

	Group 2016 RM'000	Group 2015 RM'000
At Cost		
At beginning and end of year	**4,079**	4,550
Disposal	**–**	(471)
At end of year	**4,079**	4,079
Accumulated Depreciation		
At beginning of year	**351**	490
Charge for the year	**4**	9
Disposal	**–**	(148)
At end of year	**355**	351
Provision for Impairment Loss		
At beginning of year	**585**	771
Reversal of impairment during the year	**–**	(186)
At end of year	**585**	585
Net Book Value	**3,139**	3,143
Included in the above are:		
Freehold land	**3,100**	3,100
Buildings	**39**	43
	3,139	3,143

The property rental income earned by the Group from its investment property, all of which are leased out under operating leases, amounted to RM111,000 (2015: RM111,000). Direct operating expenses arising on the investment property amounted to RM2,000 (2015: RM2,000).

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change of the valuation technique during the year.

13. INVESTMENT PROPERTY (CONT'D)

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2016 are as follows:

2016		**Group**		
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Fair value as at 31.12.2016 RM'000**
– Freehold land	**–**	**–**	**5,300**	**5,300**
– Buildings	**–**	**–**	**210**	**210**
	–	**–**	**5,510**	**5,510**

2015		**Group**		
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Fair value as at 31.12.2015 RM'000**
– Freehold land	–	–	5,300	5,300
– Buildings	–	–	210	210
	–	–	5,510	5,510

There were no transfers between Levels 1 and 2 during the year.

The following table shows a reconciliation of Level 3 fair values:

	2016 RM'000	**2015 RM'000**
At beginning of year	**5,510**	5,759
Disposal	**–**	(249)
At end of year	**5,510**	5,510

14. PREPAID LEASE PAYMENTS ON LEASEHOLD LAND

	Group Leasehold Land		
	Unexpired period less than 50 years RM'000	Unexpired period more than 50 years RM'000	Total RM'000
Cost			
As at 1 January 2015	142,793	51,772	194,565
Addition	2,062	–	2,062
Arising from acquisition of subsidiaries (Note 16.3)	10,900	–	10,900
Reclassification from property, plant and equipment	455	–	455
As at 31 December 2015	156,210	51,772	207,982
Addition	450	–	450
Arising from disposal of a subsidiary (Note 16.1)	(22,905)	–	(22,905)
Reclassification to property, plant and equipment	(2,962)	–	(2,962)
Written off	–	(56)	(56)
As at 31 December 2016	**130,793**	**51,716**	**182,509**
Accumulated Amortisation			
As at 1 January 2015	83,778	13,250	97,028
Charge for the year	5,540	916	6,456
Reclassification from property, plant and equipment	32	–	32
As at 31 December 2015	89,350	14,166	103,516
Charge for the year	4,373	1,204	5,577
Arising from disposal of a subsidiary (Note 16.1)	(5,370)	–	(5,370)
Reclassification to property, plant and equipment	(277)	3	(274)
Written off	–	(56)	(56)
As at 31 December 2016	**88,076**	**15,317**	**103,393**
Net Book Value			
As at 31 December 2016	**42,717**	**36,399**	**79,116**
As at 31 December 2015	66,860	37,606	104,466

15. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Group 2016 RM'000	Group 2015 RM'000
Goodwill on consolidation	**1,396,134**	1,412,141
Quarry rights	**23,156**	25,742
	1,419,290	1,437,883

15.1 Goodwill on Consolidation

	Group 2016 RM'000	Group 2015 RM'000
At beginning of year	**1,412,141**	1,203,677
Arising from acquisition of subsidiaries (Note 16.3)	**–**	208,464
Derecognised on disposal of a subsidiary (Note 16.1)	**(16,007)**	–
At end of year	**1,396,134**	1,412,141

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. Before recognition of any impairment losses, the carrying amount of goodwill has been allocated to the following business segments as independent CGUs:

	Group 2016 RM'000	Group 2015 RM'000
Cement	**1,327,850**	1,327,850
Aggregates and concrete	**68,284**	84,291
	1,396,134	1,412,141

The Group's methodology to test its goodwill for impairment is described in Note 4. The goodwill is allocated to the respective CGU corresponding to the activity of the segment.

15.1.1 Key assumptions used

The recoverable amount of the cash generating units are determined based on a value-in-use calculation which uses cash flow projections based on financial budgets covering a five-year period, and a discount rate of 7.70% per annum.

Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed aggregate recoverable amount of the cash-generating unit.

15.1.2 Sensitivity analysis

With regard to the assessment of value-in-use and fair value less costs to sell, management believes that no reasonably possible change in any of the key assumptions would cause the recoverable amounts of the units to be materially below their carrying amounts.

15. INTANGIBLE ASSETS (CONT'D)

15.2 Quarry Rights (with finite useful life)

	Group 2016 RM'000	Group 2015 RM'000
Cost		
At beginning and end of year	**29,283**	5,500
Arising from acquisition of subsidiaries (Note 16.3)	**–**	23,783
Written off	**(1,500)**	–
At end of year	**27,783**	29,283
Accumulated Amortisation		
At beginning of year	**3,541**	2,822
Charge for the year	**2,586**	719
Written off	**(1,500)**	–
At end of year	**4,627**	3,541
Net	**23,156**	25,742

The amount charged in respect of the amortisation of quarry rights is taken up as part of the cost of sales in the profit or loss of the Group.

16. INVESTMENT IN SUBSIDIARIES

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares:		
In Malaysia	**2,415,761**	2,415,761
Outside Malaysia	**–***	–*
	2,415,761	2,415,761

* comprising cost of investment amounting to SGD2.00.

Movement in the cost of investment:

	2016 RM'000	2015 RM'000
At beginning of year	**2,415,761**	2,092,505
New investment in:		
– Holcim Malaysia Sdn. Bhd.	**–**	296,854
– Holcim Marketing (Malaysia) Sdn. Bhd.	**–**	22,014
– ISB Kuari Kota Tinggi Sdn. Bhd.	**–**	2,388
– Geocycle Malaysia Sdn. Bhd.	**–**	2,000
At end of year	**2,415,761**	2,415,761

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
Incorporated in Malaysia			
Associated Pan Malaysia Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100
Lafarge Cement Sdn. Bhd.	Manufacture and sale of clinker and cement	**100**	100
Lafarge Drymix Sdn. Bhd.	Manufacture and sale of cement and drymix products	**100**	100
CMCM Perniagaan Sdn. Bhd.	Trading of cement and other building materials	**100**	100
Jumewah Shipping Sdn. Bhd.	Shipping of bulk cement and chartering of vessels	**100**	100
Kedah Cement Jetty Sdn. Bhd.	Management and operation of a jetty	**100**	100
Lafarge Aggregates Sdn. Bhd.	Investment holding, trading and quarrying of aggregates and related products	**100**	100
Lafarge Aggregates (Pantai Remis) Sdn. Bhd.	Producer and supplier of aggregates and related products	**100**	100
Lafarge Aggregates (Ipoh) Sdn. Bhd.^^	Producer and supplier of aggregates, premix and related products	**–**	100
Lafarge Concrete (Malaysia) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**93.26**	93.26
Lafarge Concrete Industries Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**93.26**	93.26
Lafarge Concrete (East Malaysia) Sdn. Bhd.	Manufacture and sale of ready-mixed concrete	**93.26**	93.26
Probuilders Centre Sdn. Bhd.	Trading of cement and other building materials	**100**	100
Holcim (Malaysia) Sdn. Bhd.#	Manufacturing and sale of cement	**100**	100
Holcim Marketing (Malaysia) Sdn. Bhd.#	Marketing, trading and manufacturing of cement and related products	**100**	100
ISB Kuari Kota Tinggi Sdn. Bhd.#	Quarrying and trading of granite and quarry products	**100**	100
Geocycle Malaysia Sdn. Bhd.# ^	Trading of any type of cementitious materials for cement or concrete use	**100**	70

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the Company's subsidiaries are as follows: (Cont'd)

Name of Subsidiary	Principal Activities	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
Incorporated in Malaysia			
M-Cement Sdn. Bhd.	Investment holding	**100**	100
Kedah Cement Holdings Berhad	Investment holding	**100**	100
Lafarge Shared Services Sdn. Bhd.	Accounting shared services, and management consulting services	**100**	100
Geocycle Environmental Services Sdn. Bhd. (formerly known as Coprocem Services Malaysia Sdn. Bhd.) ##	Waste management in cement manufacturing activities	**100**	–
Incorporated in Singapore			
LMCB Holding Pte. Ltd.*	Investment holding	**100**	100
Lafarge Cement Singapore Pte. Ltd.*	Bulk import and sale of cement and trading of other building materials	**100**	100
Supermix Concrete Pte. Ltd.*	Investment holding	**100**	100
Lafarge Marketing Pte. Ltd.*	Investment holding	**100**	100
PMCWS Enterprises Pte. Ltd.*	Investment holding	**100**	100
LCS Shipping Pte. Ltd.*	Shipping of bulk cement and chartering of vessels	**100**	100

* The financial statements of these subsidiaries were audited by a member firm of Deloitte Touche Tohmatsu Limited.

\# On 16 November 2015, the Group has completed its acquisition of a 100% equity stake each on Holcim (Malaysia) Sdn. Bhd. and its subsidiaries comprising of Holcim (Malaysia) Sdn. Bhd., Holcim Marketing (Malaysia) Sdn. Bhd., ISB Kuari Kota Tinggi Sdn. Bhd. and a 70% equity interest in Geocycle Malaysia Sdn. Bhd. respectively for a gross cash consideration of RM325,545,000. The financial statements of these subsidiaries were audited by other auditors.

^ During the financial year, the Group completed its acquisition on the remaining 30% equity interest not already owned by the Group in Geocycle Malaysia Sdn. Bhd., by way of acquisition of the remaining 600,000 ordinary shares of RM1.00 each for a cash consideration of RM837,000.

^^ In 2016, the Group disposed of its 100% interest in Lafarge Aggregates (Ipoh) Sdn. Bhd. ("LAIP"), representing its entire shareholding interest in LAIP (Note 16.1).

\## On 29 November 2016, the Group has completed its acquisition of 100% equity stake on Geocycle Environmental Services Sdn. Bhd. (formerly known as Coprocem Services Malaysia Sdn. Bhd.) for a total consideration of RM2,780,000.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

16.1 Disposal of subsidiary

On 28 December 2016, Lafarge Aggregate Sdn, Bhd., a wholly owned subsidiary of the Company, disposed 100% of its interest in Lafarge Aggregate (Ipoh) Sdn. Bhd. for a sale consideration of RM28,000,000.

Analysis of assets and liabilities over which control was lost:

	2016 RM'000
Non-current assets	
Property, plant and equipment (Note 12)	**4,605**
Goodwill (Note 15.1)	**16,007**
Prepaid lease payment (Note 14)	**17,535**
Current assets	
Inventories	**2,769**
Other receivables	**375**
Cash and cash equivalents	**28**
Current liabilities	
Other payables	**(12)**
Current tax liabilities	**(407)**
Non-current liability	
Deferred tax liabilities (Note 18)	**(4,645)**
Net assets disposed of	**36,255**
Consideration received	**(28,000)**
Loss on disposal	**8,255**

Net cash inflow on disposal of a subsidiary

Consideration received in cash	**28,000**
Less: cash and cash equivalent balances disposed	**(28)**
Net cash inflow on disposal of a subsidiary	**27,972**

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

16.2 Acquisition of subsidiaries

On 29 November 2016, the Group completed its acquisition of a 100% equity stake each on Geocycle Environmental Services Sdn. Bhd. (formerly known as Coprocem Services Malaysia Sdn. Bhd.) for a total cash consideration of RM2,780,000.

The newly acquired subsidiary has contributed a consolidated revenue and profit after tax of RM NIL and RM49,000 respectively to the Group during the year.

If the Group had acquired subsidiary on 1 January 2016, the revenue and profit of the Group would have been RM2,552,205,000 and RM78,377,000 respectively.

Assets acquired and liabilities assumed at the date of acquisition:

	At the date of acquisition RM'000
Non-current assets	
Property, plant and equipment (Note 12)	359
Deferred tax assets (Note 18)	111
Net current assets	
Cash and cash equivalents	2,424
Other net current assets	827
Non-current liability	
Retirement benefits (Note 30)	(339)
Net assets acquired	3,382
Gross consideration paid	(2,780)
Gain on bargain purchase	(602)

Net cash outflow arising from acquisition of a subsidiary:

	2016 RM'000
Consideration paid	**2,780**
Less: Cash and bank balances acquired	**(2,424)**
Net cash outflow from acquisition of subsidiary	**356**

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

16.3 Completion of Purchase Price Allocation

During the year, the Group has completed the purchase price allocation ("PPA") exercise to determine the fair values of the net assets of Holcim (Malaysia) Sdn. Bhd. and its subsidiaries comprising Holcim Marketing (Malaysia) Sdn. Bhd., ISB Kuari Kota Tinggi Sdn. Bhd. and Geocycle Malaysia Sdn. Bhd. ("Holcim Malaysia") within the stipulated time period, ie 12 months from the acquisition date of 16 November 2015, in accordance with MFRS 3 "Business Combinations". The details are as follows:

	RM'000
Provisional goodwill	203,912
Final goodwill	208,464
Difference	**4,552**

The goodwill of RM208,464,000 arising from the acquisition of Holcim Malaysia is mainly attributable to the expected synergies to be realised, among others, synergies on operational efficiencies, cost efficiencies and capital expenditure synergies upon combining the operations of the Group and Holcim Malaysia.

The adjusted fair values of Holcim Malaysia's identifiable assets, liabilities and contingent liabilities have been reflected in the Consolidated Statement of Financial Position as at 31 December 2015.

Below are the effects of the final PPA adjustments in accordance with MFRS 3:

	As previously stated RM'000	Adjustments RM'000	As adjusted RM'000
As at 31 December 2015			
Consolidated Statement of Financial Position			
Non-current assets			
Property, plant and equipment	1,659,851	6,544	1,666,395
Prepaid lease payments on leasehold land	97,022	7,444	104,466
Intangible assets	1,447,232	(9,349)	1,437,883
Current assets			
Trade receivables	432,772	(527)	432,245
Other receivables and prepaid expenses	39,075	(942)	38,133
Non-current liability			
Deferred tax liabilities	189,657	(1,111)	188,546
Current liability			
Other payables and accrued expenses	99,867	3,248	103,115

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

16.3 Completion of Purchase Price Allocation (Cont'd)

	As previously stated RM'000	Adjustments RM'000	As adjusted RM'000
Consolidated Statement of Changes in Equity			
Retained earnings	1,109,266	1,329	1,110,595
Non-controlling interests	5,225	(296)	4,929
For the year ended 31 December 2015			
Consolidated Statement of Comprehensive Income			
Cost of sales	(1,985,919)	1,708	(1,984,211)
Administration expenses	(87,649)	41	(87,608)
Income tax expense	(93,924)	(420)	(94,344)
Profit attributable to owners of the Company	251,006	1,329	252,335
Total comprehensive income attributable to owners of the Company	239,729	1,329	241,058

Assets acquired and liabilities assumed at the date of acquisition:

	At the date of acquisition RM'000	Fair value RM'000
Non-current assets		
Property, plant and equipment (Note 12)	117,349	124,234
Prepaid lease payments (Note 14)	3,430	10,900
Other intangibles (Note 15.2)	37,611	23,783
Net current assets/(liabilities)		
Inventories	22,600	22,318
Cash and cash equivalents	6,071	6,071
Short-term borrowings	(51,600)	(51,600)
Other net current assets	11,078	4,454
Non-current liabilities		
Long-term borrowings	(10,500)	(10,500)
Deferred tax liabilities (Note 18)	(15,583)	(14,052)
Net assets acquired	120,456	115,608
Non-controlling interests (Note 28)	(1,112)	(816)
	119,344	114,792
Gross consideration paid		(325,545)
Purchase sum indemnify		2,289
Goodwill arising from acquisition of subsidiaries (Note 15.1)		(208,464)

17. INVESTMENT IN JOINT VENTURE

	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares at cost, representing share of net assets acquired	**17,975**	17,975
Group's share of post acquisition results	**16,184**	25,140
Exchange differences	**7,459**	7,091
	41,618	50,206
Less: Dividends received	**(15,908)**	(15,908)
	25,710	34,298

At Group level, the carrying value of joint venture represents its share of net assets in the joint venture at end of the reporting period. Summarised financial information in respect of the Group's joint venture is as follows:

	Group 2016 RM'000	Group 2015 RM'000
Total assets	**151,555**	150,890
Total liabilities	**(107,398)**	(89,417)
Net assets	**44,157**	61,473
Group's share of joint venture's net assets	**25,710**	34,298
Total revenue	**391,074**	426,891
Total losses for the year	**(17,912)**	(14,940)
Share in results of joint venture	**(8,956)**	(6,107)

Particulars of the associate are as follows:

Name of Joint Venture	Principal Activities	Proportion of ownership interest and voting power held by the Group 2016 %	2015 %
Incorporated in Singapore			
Alliance Concrete Singapore Pte. Ltd. *	Production and sale of ready-mixed concrete	**50**	50

* In 2015, the Group acquired an additional 2 million ordinary shares in Alliance Concrete Singapore Pte. Ltd. ("ACS") for a total consideration of approximately RM13,372,000 (equivalent to SGD$5,000,000), thereby, increasing the Group's equity stake from 33.33% to 50% in ACS. The financial statements of the joint venture were audited by another firm other than Deloitte.

18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred Tax Assets

	Group 2016 RM'000	Group 2015 RM'000
At beginning of year	**5,755**	2,758
Recognised in profit or loss	**4,939**	2,688
Recognised in other comprehensive income	**586**	117
Reclassed from/(to) deferred tax liabilities	**5,082**	(183)
Arising from acquisition of subsidiary (Note 16.2)	**111**	–
Exchange difference on foreign operations	**(617)**	375
At end of year	**15,856**	5,755

Deferred Tax Liabilities

	Group 2016 RM'000	Group 2015 RM'000
At beginning of year	**(188,546)**	(193,365)
Recognised in profit or loss	**34,870**	18,197
Recognised in other comprehensive income	**1,138**	261
Reclassified from equity to profit or loss	**14**	230
Reclassed (to)/from deferred tax assets	**(5,082)**	183
Arising from acquisition of subsidiaries (Note 16.3)	**–**	(14,052)
Arising from disposal of subsidiaries (Note 16.1)	**4,645**	–
Exchange difference on foreign operations	**(15)**	–
At end of year	**(152,976)**	(188,546)

As mentioned in Note 3.13, the tax effects of unused tax losses, unused capital allowances and deductible temporary differences which would give rise to deferred tax assets are generally recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses, unused capital allowances and deductible temporary differences can be utilised. As at 31 December 2016, the amount of unused tax losses, unused capital allowances and deductible temporary differences of certain subsidiaries for which deferred tax assets are not recognised in the financial statements due to uncertainty of realisation are as follows:

	Group 2016 RM'000	Group 2015 RM'000
Unused tax losses	**69,077**	74,489
Unused capital allowances	**19,774**	20,094
Deductible temporary differences	**6,617**	7,825
	95,468	102,408

The unused tax losses and unused capital allowances, which are subject to the agreement by the tax authorities, are available for offset against future chargeable income of the respective subsidiaries.

18. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Group	Property, plant and equipment RM'000	Receivables RM'000	Payables and reserves RM'000	Unused tax losses RM'000	Unused capital allowances RM'000	Total RM'000
Deferred Tax Assets						
As at 1 January 2015	195	–	2,100	414	49	2,758
Recognised in profit or loss	1,109	–	265	1,306	8	2,688
Recognised in other comprehensive income	–	–	117	–	–	117
Reclassed from deferred tax liabilities	(183)	–	–	–	–	(183)
Exchange difference on foreign operations	375	–	–	–	–	375
As at 31 December 2015	1,496	–	2,482	1,720	57	5,755
Recognised in profit or loss	**989**	**–**	**(2,609)**	**132**	**6,427**	**4,939**
Recognised in other comprehensive income	**–**	**–**	**586**	**–**	**–**	**586**
Reclassed from deferred tax liabilities	**9,928**	**–**	**(10,730)**	**5,530**	**354**	**5,082**
Acquisition of a subsidiary	**–**	**–**	**111**	**–**	**–**	**111**
Exchange difference on foreign operations	**(617)**	**–**	**–**	**–**	**–**	**(617)**
As at 31 December 2016	**11,796**	**–**	**(10,160)**	**7,382**	**6,838**	**15,856**

Group	Property, plant and equipment RM'000	Receivables RM'000	Inventories RM'000	Payables and reserves RM'000	Unused tax losses RM'000	Unused capital allowances RM'000	Total RM'000
Deferred Tax Liabilities							
As at 1 January 2015	(216,984)	130	5,816	17,264	288	121	(193,365)
Recognised in profit or loss	17,210	(24)	(287)	659	527	112	18,197
Recognised in other comprehensive income	–	–	–	261	–	–	261
Reclassified from equity to profit or loss	–	–	–	230	–	–	230
Reclassed to deferred tax asset	183	–	–	–	–	–	183
Arising from acquisition of subsidiaries (Note 16.3)	(10,275)	126	68	(8,408)	4,437	–	(14,052)
As at 31 December 2015	(209,866)	232	5,597	10,006	5,252	233	(188,546)
Recognised in profit or loss	**4,392**	**(126)**	**(28)**	**(3,320)**	**32,450**	**1,502**	**34,870**
Recognised in other comprehensive income	**–**	**–**	**–**	**1,138**	**–**	**–**	**1,138**
Reclassified from equity to profit or loss	**–**	**–**	**–**	**14**	**–**	**–**	**14**
Reclassed to deferred tax asset	**(9,928)**	**–**	**–**	**10,730**	**(5,530)**	**(354)**	**(5,082)**
Exchange difference on foreign operations	**(15)**	**–**	**–**	**–**	**–**	**–**	**(15)**
Arising from disposal of subsidiary (Note 16.1)	**4,645**	**–**	**–**	**–**	**–**	**–**	**4,645**
As at 31 December 2016	**(210,772)**	**106**	**5,569**	**18,568**	**32,172**	**1,381**	**(152,976)**

19. OTHER FINANCIAL ASSETS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Available-for-sale investments carried at fair value:				
Non-current:				
In Malaysia:				
Quoted investments	**694**	374	**–**	–
Unquoted investments	**168**	168	**–**	–
Others	**374**	374	**–**	–
	1,236	916	**–**	–
Held-to-maturity investment carried at amortised cost				
Non-current:				
Debenture, unquoted in Malaysia	**1,255**	1,255	**1,255**	1,255
Derivatives that are designated and effective as hedging instruments carried at fair value:				
Current:				
Foreign currency forward contracts	**319**	1,044	**–**	–
Financial assets carried at fair value through profit or loss:				
Current:				
Derivatives that are not designated in hedge accounting relationship	**26**	–	**–**	–
	2,836	3,215	**1,255**	1,255
Current	**345**	1,044	**–**	–
Non-current	**2,491**	2,171	**1,255**	1,255
	2,836	3,215	**1,255**	1,255

20. AMOUNTS OWING BY/(TO) SUBSIDIARIES

20.1 Amounts Owing by Subsidiaries

	Company	
	2016	**2015**
	RM'000	**RM'000**
Loans carried at amortised cost:		
Current:		
Short-term loans and advances to subsidiaries (a)	**207,527**	319,466
Outstanding balances receivable for other transactions (b)	**2,726**	1,984
	210,253	321,450

(a) The short-term loans and advances to subsidiaries are unsecured, interest-free and repayable on demand.

(b) Outstanding balances receivable for other transactions which arose mainly from payment made on behalf, are interest-free and repayable on demand.

20.2 Amounts Owing to Subsidiaries

	Company	
	2016	**2015**
	RM'000	**RM'000**
Other financial liabilities:		
Current:		
Short-term loans and advances from subsidiaries (c)	**(80,373)**	(156,873)
Outstanding balances payables for other transactions (d)	**(751)**	(118)
	(81,124)	(156,991)

(c) The short-term loans and advances from subsidiaries are unsecured, interest-free and repayable on demand.

(d) Outstanding balances payables for other transactions which arose mainly from payment made on behalf, are interest-free and repayable on demand.

21. INVENTORIES

	Group	
	2016	**2015**
	RM'000	**RM'000**
At cost:		
Fuels, raw and packing materials	**69,141**	88,601
Finished and semi-finished goods	**109,688**	102,248
Engineering spares and consumables	**125,155**	123,928
	303,984	314,777
Allowance for inventory obsolescence	**(23,936)**	(24,366)
	280,048	290,411

The cost of inventories recognised as an expense of the Group includes RM2,806,000 (2015: RM6,080,000) in respect of the allowance for slow moving inventories.

The Group's inventories are expected to be recovered within the next twelve months other than engineering spares which are expected to be utilised as and when the components in the plants require replacements and may be utilised after the next twelve months.

22. TRADE RECEIVABLES

	Group	
	2016	**2015**
	RM'000	**RM'000**
Trade receivables	**381,119**	445,357
Allowance for doubtful debts	**(7,152)**	(13,112)
	373,967	432,245

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade receivables of the Group comprise amounts receivable for the trading and sales of goods. The average credit terms for trade receivables of the Group range from 30 to 60 days (2015: 30 to 60 days).

Included in trade receivables is an amount totaling RM17,162,000 (2015: RM12,019,000) owing by a joint venture.

The Group's historical experience in collection of trade receivables falls within the recorded credit period and management believes that no additional credit risk for collection losses is inherent in the Group's trade receivables. The Group does not hold any collateral over these balances.

22. TRADE RECEIVABLES (CONT'D)

Ageing of trade receivables not impaired:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Not past due	**219,285**	168,320
Past due 0-30 days	**80,534**	119,684
Past due 31-60 days	**28,128**	70,336
Past due 61-90 days	**12,168**	39,270
Past due more than 90 days	**33,852**	34,635
	373,967	432,245

Ageing of impaired trade receivables:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Not past due	**558**	–
Past due 0-30 days	**298**	–
Past due 31-60 days	**192**	–
Past due 61-90 days	**–**	1,819
Past due more than 90 days	**6,104**	11,293
	7,152	13,112

Movement in the allowance for doubtful debts:

	Group	
	2016	**2015**
	RM'000	**RM'000**
At beginning of year	**13,112**	6,094
Impairment losses recognised on receivables	**4,780**	1,669
Arising from acquisition of a subsidiary	**–**	9,100
Arising from disposal of a subsidiary	**(65)**	–
Amounts written off during the year as uncollectible	**(8,695)**	(901)
Impairment losses reversed	**(2,016)**	(2,850)
Foreign exchange difference	**36**	–
At end of year	**7,152**	13,112

22. TRADE RECEIVABLES (CONT'D)

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The currency profile of trade receivables of the Group is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Ringgit Malaysia	**346,278**	402,616
Singapore Dollar	**26,060**	27,106
United States Dollar	**1,629**	2,523
	373,967	432,245

23. OTHER RECEIVABLES AND PREPAID EXPENSES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	**16,127**	12,798	**2**	12
Prepaid expenses	**4,040**	14,115	**520**	101
Refundable deposits	**11,978**	11,220	**420**	553
	32,145	38,113	**942**	666

Other receivables of the Group includes amount due from joint venture of RM385,000 (2015: RM727,000) and loans and advances given to the staff which are interest free and repayable on demand.

24. RELATED PARTY DISCLOSURES

The Company is a subsidiary of Associated International Cement Limited ("AIC"), a company incorporated in the United Kingdom. The Directors regard AIC and Lafarge Holcim Ltd., a public-listed company incorporated in Switzerland as the immediate holding company and ultimate holding company, respectively.

24. RELATED PARTY DISCLOSURES (CONT'D)

In addition to the related party information disclosed elsewhere in the financial statements, the details of related parties and their relationship with the Company and its subsidiaries are as follows:

Name of related parties	Relationship
Lafarge S.A.	Penultimate holding company of the Company
Associated International Cement Limited	Immediate holding company of the Company
Alliance Concrete Singapore Pte. Ltd.	Joint venture of the Company
Cementia Trading AG	Subsidiary of LafargeHolcim Ltd.
Cementia Asia Sdn. Bhd.	Subsidiary of LafargeHolcim Ltd.
Lafarge Asia Sdn. Bhd.	Subsidiary of LafargeHolcim Ltd.
Lafarge Energy Solutions SAS	Subsidiary of LafargeHolcim Ltd.
Marine Cement Ltd.	Subsidiary of LafargeHolcim Ltd.
PT Lafarge Cement Indonesia	Subsidiary of LafargeHolcim Ltd.
Thalamar Shipping AG	Subsidiary of LafargeHolcim Ltd.
Holcim Trading Pte. Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim Group Support Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim Technology & Services Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim East Asia Business Service Centre B.V.	Subsidiary of LafargeHolcim Ltd.
Holcim Services (Asia) Ltd.	Subsidiary of LafargeHolcim Ltd.
Holcim (Singapore) Pte. Ltd.	Subsidiary of LafargeHolcim Ltd.

The amounts owing by/(to) penultimate holding, immediate holding and other related companies represent mainly trade transactions, provision of trademark license and general assistance and payments on behalf. The amounts outstanding arising from expenses paid on behalf by the related companies are interest free with no fixed terms of repayment. The amount outstanding relating to the provision of trademark license and general assistance is interest-free and payable on a quarterly basis. The amounts outstanding relating to trade and other transactions were made under agreed terms and conditions.

24. RELATED PARTY DISCLOSURES (CONT'D)

24.1 Related Party Transactions

	Group			
	2016		2015	
	Transactions during the year RM'000	Outstanding balance at end of year RM'000	Transactions during the year RM'000	Outstanding balance at end of year RM'000
Ultimate holding company of the Company:				
Provision of trademark license and general assistance fee	**28,206**	**(7,340)**	33,456	(8,844)
Specific technical assistance	**–**	**–**	2,446	(2,446)
Joint venture of the Group:				
Sales of cement and ready-mixed concrete	**66,436**	**16,978**	59,980	11,608
Batching income	**1,198**	**114**	1,752	343
Management service fee	**270**	**70**	254	68
Subsidiaries of ultimate holding company of the Company:				
Sales of cement and clinker	**95,298**	**21,957**	143,884	17,608
Purchase of cement and clinker	**81,694**	**(6,329)**	128,737	(21,668)
Purchase of copper slag	**16,638**	**(210)**	–	–
Time charter hire/sub-charter of vessels	**24,495**	**–**	26,797	(4,676)
Maintenance of hardware and software	**10,421**	**(867)**	9,587	(1,514)
Industrial franchising fees	**3,611**	**(29)**	703	(2,062)
Rental of office premises	**529**	**(81)**	676	–
SAP maintenance and related consultancy fees	**3,805**	**(3,805)**	–	–
Service fees for sourcing alternative fuel/alternative raw materials	**2,263**	**(839)**	2,284	(414)
Service fees for sourcing supply of solid fuels	**1,553**	**(1,533)**	1,471	(1,880)
Administrative and supporting service fee	**2,160**	**(158)**	1,644	516

The Directors are of the opinion that the related party transactions are entered into in the normal course of business and have been established under agreed terms. With regard to the agreement for the provision of trademark license and general assistance, Lafarge has the specialised expertise, technical competencies and/or facilities and infrastructure required for the provision of such services.

24. RELATED PARTY DISCLOSURES (CONT'D)

24.2 Amounts Owing by Holding and Other Related Companies

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current:				
Trade amount owing by holding and other related companies	**15,727**	17,180	**–**	–
Outstanding balances receivable for other operating transactions	**890**	3,722	**588**	3,364
	16,617	20,902	**588**	3,364

Ageing of trade amount owing by holding and other related companies not impaired:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Not past due	**10,971**	13,543	**–**	–
Past due 0 - 30 days	**20**	3,629	**–**	–
Past due 31 - 60 days	**77**	–	**–**	–
Past due 61 - 90 days	**117**	–	**–**	–
Past due more than 90 days	**4,542**	8	**–**	–
	15,727	17,180	**–**	–

Trade amount owing by holding and other related companies comprise amounts receivable for the trading and sales of goods. The average credit terms for trade amount owing by holding and other related companies range from 30 to 60 days (2015: 30 to 60 days).

The currency profile of amounts owing by holding and other related companies of the Group is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**15,223**	18,516	**543**	1,075
Ringgit Malaysia	**223**	2,362	**10**	2,289
Euro Dollar	**14**	24	**–**	–
Singapore Dollar	**1,157**	–	**35**	–
	16,617	20,902	**588**	3,364

24. RELATED PARTY DISCLOSURES (CONT'D)

24.3 Amounts Owing to Holding and Other Related Companies

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current:				
Trade amount owing to holding and other related companies	**23,091**	32,329	**–**	–
Outstanding balances payable for other operating transactions	**222**	16,532	**17**	1,092
	23,313	48,861	**17**	1,092

The currency profile of amounts owing to holding and other related companies of the Group is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
United States Dollar	**6,497**	17,403	**–**	–
Euro Dollar	**15,273**	11,275	**–**	–
Ringgit Malaysia	**1,037**	19,106	**17**	15
Singapore Dollar	**286**	–	**–**	–
Sterling Pound	**–**	1,077	**–**	1,077
Philippine Peso	**220**	–	**–**	–
	23,313	48,861	**17**	1,092

24.4 Compensation of Key Management Personnel

The members of key management personnel of the Group and of the Company comprise Directors of the Group and of the Company. Details on the compensation for these key management personnel are disclosed in Note 5.4.

25. SHARE CAPITAL

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Authorised:		
3,000,000,000 ordinary shares of RM1.00 each	**3,000,000**	3,000,000
Issued and fully paid:		
849,695,476 ordinary shares of RM1.00 each	**849,695**	849,695

26. RESERVES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-distributable:				
Share premium reserve	**1,067,199**	1,067,199	**1,067,191**	1,067,191
Capital redemption reserve	**33,798**	33,798	**33,639**	33,639
Exchange equalisation reserve	**27,634**	28,427	**–**	–
Investments revaluation reserve	**356**	36	**–**	–
Hedging reserve	**20**	125	**–**	–
	1,129,007	1,129,585	**1,100,830**	1,100,830

26.1 Share Premium Reserve

Share premium arose from the issuance of ordinary shares by the Company pursuant to the 6-for-1 Rights Issue exercise completed in 1999 and pursuant to the Proposed Special Issue to Bumiputera investors in 2003 and issuance of ordinary shares by a subsidiary of the Company pursuant to Employees' Share Option Scheme of that subsidiary in 2000.

26.2 Capital Redemption Reserve

Capital redemption reserve arose from the redemption of 159,200 preference shares by a subsidiary of the Company in 1999, redemption of 500 preference shares by the Company of which 250 preference shares were redeemed in 2006 and the remaining in 2007 and cancellation of treasury shares in 2006 and 2007.

26.3 Exchange Equalisation Reserve

	Group	
	2016 RM'000	2015 RM'000
At beginning of year	**28,427**	37,127
Exchange differences arising on translating the net assets of foreign operations	**(793)**	(8,700)
At end of year	**27,634**	28,427

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Ringgit Malaysia) are recognised directly in other comprehensive income and accumulated in the exchange equalisation reserve.

26. RESERVES (CONT'D)

26.4 Investments Revaluation Reserve

	Group	
	2016	**2015**
	RM'000	**RM'000**
At beginning of year	**36**	36
Fair value change of available-for-sale financial assets	**320**	–
At end of year	**356**	36

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

26.5 Hedging Reserve

	Group	
	2016	**2015**
	RM'000	**RM'000**
At beginning of year	**125**	1,419
Loss recognised on cash flow hedges:		
– foreign currency forward contracts	**(29)**	(589)
Deferred tax related to gains/losses recognised in other comprehensive income	**(32)**	(14)
Reclassified to profit or loss:		
– foreign currency forward contracts	**(58)**	(921)
Deferred tax related to amounts transferred to profit or loss	**14**	230
At end of year	**20**	125

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedge instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

Gains and losses reclassified from equity into profit or loss during the year are included in the following line items in the statement of profit or loss and other comprehensive income:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Other expenses	**(58)**	(921)
Income tax expense	**14**	230
	(44)	(691)

27. RETAINED EARNINGS AND DIVIDENDS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Distributable reserve:				
Retained earnings	**1,079,998**	1,110,595	**320,634**	339,211
At beginning of year	**1,110,595**	1,131,447	**339,211**	374,473
Profit attributable to owners of the Company	**76,673**	252,335	**83,366**	236,674
Dividends	**(101,964)**	(271,904)	**(101,964)**	(271,904)
Actuarial (loss)/gain on defined benefit retirement plan recognised directly in retained earnings	**(7,170)**	(1,675)	**21**	(32)
Income tax on income and expenses taken directly to retained earnings	**1,756**	392	**–**	–
Acquisition of additional interest in an existing subsidiary	**108**	–	**–**	–
At end of year	**1,079,998**	1,110,595	**320,634**	339,211

27.1 Retained Earnings

Distributable reserves are those available for distribution by way of dividends. The entire retained earnings of the Company are available for distribution as single-tier dividends. Under the single-tier dividend system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

27.2 Dividends

	Group and Company	
	2016 RM'000	**2015 RM'000**
Fourth interim single tier dividend of 7.0 sen per share (2015: Fourth interim single tier dividend of 8.0 sen per share)	**59,479**	67,976
First interim single tier dividend of 3.0 sen per share (2015: First interim single tier dividend of 8.0 sen per share)	**25,491**	67,976
Second interim single tier dividend of 2.0 sen per share (2015: Second interim single tier dividend of 8.0 sen per share)	**16,994**	67,976
Third interim single tier dividend of 8.0 sen per share	**–**	67,976
	101,964	271,904

27. RETAINED EARNINGS AND DIVIDENDS (CONT'D)

27.2 Dividends (Cont'd)

- a third interim dividend of 8.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM67.976 million was declared on 18 November 2015 and paid on 13 January 2016.

- a fourth interim dividend of 7.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2015 amounting to RM59,479 million was declared on 29 February 2016 and paid on 20 April 2016;

- a first interim dividend of 3.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2016 amounting to RM25,491 million was declared on 23 May 2016 and paid on 27 July 2016;

- a second interim dividend of 2.0 sen single tier dividend per ordinary share of RM1.00 each, for the financial year ended 31 December 2016 amounting to RM67,976 million was declared on 30 August 2016 and paid on 27 October 2016; and

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2016.

28. NON-CONTROLLING INTERESTS

	Group	
	2016 RM'000	**2015 RM'000**
At beginning of year	**4,929**	4,223
Share of profit for the year	**1,056**	227
Share of other comprehensive loss for the year	**(110)**	–
Dividend	**–**	(337)
Arising from acquisition of additional interests in an existing subsidiary	**(945)**	–
Arising from acquisition of subsidiaries (Note 16.3)	**–**	816
At end of year	**4,930**	4,929

29. BORROWINGS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current - at amortised cost				
Non-secured				
Medium Term Note (a)	**280,000**	280,000	**280,000**	280,000
Term loan (current) (b)	**7,000**	7,000	**–**	–
Bank overdraft (b)	**6,470**	–	**–**	–
Bankers' acceptance (b)	**–**	7,600	**–**	–
Revolving credit (b)	**54,000**	39,500	**–**	–
	347,470	334,100	**280,000**	280,000
Non-current - at amortised cost				
Non-secured:				
Term loan (non-current) (b)	**–**	7,000	**–**	–
	–	7,000	**–**	–
Current	**347,470**	334,100	**280,000**	280,000
Non-current:				
1 - 2 years	**–**	7,000	**–**	–
Total borrowings	**347,470**	341,100	**280,000**	280,000

All borrowings are denominated in Ringgit Malaysia.

(a) On 16 November 2015, the Group raised a Medium Term Note of RM280,000,000 via a direct private placement for a tenure period of twelve (12) months which carries an interest rate of 4.30%. In 2016, the Group has extended the tenure period for another two (2) months which carries an interest rate of 3.72% per annum.

(b) The average interest rate for the revolving credits and bankers' acceptance ranges from 4.21% to 4.26% and the term loan carries an interest rate of 4.20% per annum.

In 2003, a wholly-owned subsidiary in Singapore, LMCB Holding Pte. Ltd. ("LMCBH") issued SGD225 million of fixed rate notes ("the Notes") due in 2015 or earlier and entered into a fiscal agency agreement and a subscription agreement for the creation and issue of the Notes. The Notes were subscribed by a licensed bank incorporated in Mauritius ("the Bank"). The Notes bore interest at a fixed rate of 8.85% per annum and had tenure of ten (10) years.

The said Notes were subsequently bought and held by one of the Company's subsidiaries, M-Cement Sdn. Bhd. ("MCSB") under the Conditional Payment Obligation Agreement entered into by the Bank and MCSB. The Notes bore interest at a fixed rate of 8.84% per annum. The Notes issued by LMCBH and bought and held by MCSB were eliminated on consolidation.

In August 2015, the said Notes matured and were converted into an unsecured, repayable on demand interest bearing intercompany loan between MCSB and LMCBH. The loan bears interest at 0.6% (2015: 0.6%) per annum.

30. RETIREMENT BENEFITS

The defined benefit plan typically exposes the Group and the Company to actuarial risks such as longevity risk and salary risk.

Type	Risk
Longevity risk	The present value of the defined benefits plan liability is calculated by reference to the best estimate of the mortality of plan participants during their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out on 7 February 2017 by the external actuary.

The present value of the defined benefit obligation, and the related current service cost and past service cost, where measured using the projected unit credit method.

The principal actuarial assumptions at the end of the reporting period are as follows:

	2016 %	2015 %
Discount rate	**4.9**	5.2
Future salary increase	**7.0**	7.0

Significant actuarial assumption for the determination of the defined benefits obligation is the discount rate. The sensitivity analysis below has been determined based on reasonably possible change of the respective assumption occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate increase/(decrease) by 0.5%, the defined benefit obligation would decrease by RM4,099,602/increase by RM4,437,731 (2015: decreased by RM3,524,741/increased by RM3,814,208).

Movements in the net liability recognised in the statements of financial position are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of year	**68,533**	60,009	**1,187**	1,025
Charge for the year	**9,347**	8,768	**142**	130
Benefits paid	**(5,974)**	(1,919)	**(1,181)**	–
Actuarial loss/(gain) recognised in other comprehensive income	**7,280**	1,675	**(21)**	32
Acquisition of a subsidiary (Note 16.2)	**339**	–	**–**	–
Reclassification from other payables	**545**	–	**–**	–
At end of year	**80,070**	68,533	**127**	1,187

The amounts recognised in the statements of financial position are analysed as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Present value of unfunded obligation	**80,070**	68,533	**127**	1,187

30. RETIREMENT BENEFITS (CONT'D)

Reconciliations of the present value of unfunded obligation are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of year	**68,533**	60,009	**1,187**	1,025
Current service cost	**5,869**	5,494	**80**	73
Interest cost	**3,503**	3,274	**62**	57
Curtailment gain	**(25)**	–	**–**	–
Actuarial loss/(gain)	**7,280**	1,675	**(21)**	32
Benefits paid	**(5,974)**	(1,919)	**(1,181)**	–
Acquisition of a subsidiary (Note 16.2)	**339**	–	**–**	–
Reclassification from other payables	**545**	–	**–**	–
At end of year	**80,070**	68,533	**127**	1,187

The amounts recognised in the profit or loss are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current service cost	**5,869**	5,494	**80**	73
Interest cost	**3,503**	3,274	**62**	57
Curtailment gain	**(25)**	–	**–**	–
	9,347	8,768	**142**	130

Actuarial (loss)/gain recognised directly in other comprehensive income are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of year	**5,827**	7,502	**(43)**	(11)
Recognised during the year	**(7,280)**	(1,675)	**21**	(32)
At end of year	**(1,453)**	5,827	**(22)**	(43)

31. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. The average credit period granted to the Group for trade purchases generally ranges from 14 to 90 days (2015: 30 to 90 days).

The currency profile of trade payables of the Group is as follows:

	2016 RM'000	2015 RM'000
Ringgit Malaysia	**446,986**	392,018
United States Dollar	**15,058**	35,280
Singapore Dollar	**7,935**	10,521
Euro Dollar	**6,148**	6,006
Japanese Yen	**211**	–
	476,338	443,825

32. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses consist of:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	**61,678**	44,580	**339**	1,949
Accrued expenses	**49,616**	58,535	**2,924**	3,153
	111,294	103,115	**3,263**	5,102

Other payables of the Group consist of amount outstanding for purchases of assets (Note 12), retention monies, deposits received and general administrative expenses payable which are interest-free with no fixed terms of repayment.

33. OTHER FINANCIAL LIABILITIES

	Group	
	2016 RM'000	2015 RM'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Current:		
Foreign currency forward contracts	–	162

34. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the statements of financial position as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances	**206,188**	311,395	**6,857**	3,530
Bank overdraft (Note 29)	**(6,470)**	–	**–**	–
	199,718	311,395	**6,857**	3,530

The currency profile of cash and cash equivalents of the Group and of the Company is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Ringgit Malaysia	**157,879**	281,365	**6,857**	3,530
Singapore Dollar	**32,785**	12,875	**–**	–
United States Dollar	**9,053**	16,411	**–**	–
Euro Dollar	**1**	744	**–**	–
	199,718	311,395	**6,857**	3,530

35. FINANCIAL INSTRUMENTS

35.1 Capital Risk Management

The Group manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of net debt (borrowings as detailed in Note 29 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in Notes 25 to 28).

35. FINANCIAL INSTRUMENTS (CONT'D)

35.1 Capital Risk Management (Cont'd)

The gearing ratio at end of the reporting period was as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Debt (i)	**347,470**	341,100
Cash and bank balances	**(199,718)**	(311,395)
Net debt	**147,752**	29,705
Equity (ii)	**3,063,630**	3,094,804
Net debt to equity ratio	**4.82%**	0.96%

(i) Debt is defined as short and long term borrowings as described in Note 29.
(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Under the requirement of Bursa Malaysia Practice Note No.17/2005, the Group is required to maintain consolidated shareholders' equity equal to or not less than 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

35.2 Significant Accounting Policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.3 Categories of Financial Instruments

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Financial assets				
Financial assets carried at fair value through profit or loss (FVTPL):				
– held for trading	**26**	–	**–**	–
Derivative instruments:				
– in designated hedge accounting relationships (Note 19)	**319**	1,044	**–**	–
Loan and receivables:				
– amounts owing by subsidiaries (Note 20)	**–**	–	**210,253**	321,450
– trade receivables (Note 22)	**373,967**	432,245	**–**	–
– other receivables and refundable deposits (Note 23)	**23,808**	24,018	**422**	565
– amounts owing by holding and other related companies (Note 24)	**16,617**	20,902	**588**	3,364
– cash and bank balances (Note 34)	**206,188**	311,395	**6,857**	3,530
– dividend receivable	**–**	–	**–**	56,000
Available-for-sale financial assets:				
– available-for-sale investments carried at fair value (Note 19)	**1,236**	916	**–**	–
Held-to-maturity investment (Note 19)	**1,255**	1,255	**1,255**	1,255
Financial liabilities				
Derivative instruments:				
– in designated hedge accounting relationships (Note 33)	**–**	162	**–**	–
Amortised cost:				
– borrowings (Note 29)	**347,470**	341,100	**280,000**	280,000
– trade payables (Note 31)	**476,338**	443,825	**–**	–
– other payables and accrued expenses (Note 32)	**108,569**	103,115	**3,263**	5,102
– amounts owing to holding and other related companies (Note 24)	**23,313**	48,861	**17**	1,092
– amounts owing to subsidiaries (Note 20)	**–**	–	**81,124**	156,991
– dividend payable	**–**	67,976	**–**	67,976

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4 Financial Risk Management

The operations of the Group are subject to various financial risks which include market risk (including foreign currency risk, interest rate risk, commodity price risk and other price risk), credit risk and liquidity risk, in connection with its use or holding of financial instruments. The Group has adopted a financial risk management framework with the principal objective of effectively managing these risks and minimising any potential adverse effects on the financial performance of the Group.

35.4.1 Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 35.4.1(a) below), interest rates (see 35.4.1(b) below), commodity prices (see 35.4.1(c) below) and other prices (see 35.4.1.(d) below). The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency, interest rate and commodity price risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on foreign currency purchases;
- interest rate swap contract to mitigate the risk of rising interest rates; and
- commodity swap contracts to hedge the price fluctuation risk arising on purchases of coal.

35.4.1(a) Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as disclosed in Note 22 for trade receivables, Note 24 for amounts owing by/(to) holding and other related companies, Note 31 for trade payables and Note 34 for cash and cash equivalents.

Foreign currency sensitivity
The Group is mainly exposed to US Dollar and Euro Dollar.

The following table details the Group's sensitivity to a 10% increase and decrease in RM against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4 Financial Risk Management (Cont'd)

35.4.1(a) Foreign Currency Risk Management (Cont'd)

Foreign currency sensitivity (Cont'd)

	Group	
2016	**USD Impact RM'000**	**Euro Impact RM'000**
Profit or loss	**(1,158)** (i)	**1,536** (iii)
Hedging reserve	**(1,774)** (ii)	**–** (ii)

	Group	
2015	**USD Impact RM'000**	**Euro Impact RM'000**
Profit or loss	(813) (i)	1,440 (iii)
Hedging reserve	(5,723) (ii)	(862) (ii)

(i) This is mainly attributable to the exposure outstanding on USD receivables and cash and cash equivalents net of with USD payables and fair value hedges of the Group at the end of the reporting period.

(ii) This is a result of the changes in fair value of derivative instruments designated as cash flow hedges.

(iii) This is mainly attributable to the exposure outstanding on Euro payables and fair value hedges of the Group at the end of the reporting period.

The above sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the year end exposure does not reflect the exposure during the year.

Forward foreign exchange contracts

In the course of its operations, the Group's policy is to hedge all material "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial commitment is entered into or known. This derivative instrument is limited to forward foreign currency contracts, with a term generally less than one year.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4 Financial Risk Management (Cont'd)

35.4.1(a) Foreign Currency Risk Management (Cont'd)

Forward foreign exchange contracts (Cont'd)

The following table details the forward foreign currency contracts outstanding as at reporting date:

	Group			
2016 **Outstanding contracts**	**Average exchange rate**	**Foreign currency FC'000**	**Contract value RM'000**	**Fair value RM'000**
Cash flow hedges				
Buy US Dollar				
Less than 3 months	**4.40**	**1,100**	**4,844**	**103**
3 to 6 months	**4.47**	**900**	**4,019**	**43**
				146
Fair value hedges				
Buy US Dollar				
Less than 3 months	**4.39**	**1,600**	**7,023**	**159**
Buy Euro Dollar				
Less than 3 months	**4.68**	**373**	**1,744**	**14**
				173
FVTPL				
Buy Euro Dollar				
Less than 3 months	**4.69**	**900**	**4,222**	**26**

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4 Financial Risk Management (Cont'd)

35.4.1(a) Foreign Currency Risk Management (Cont'd)

Forward foreign exchange contracts (Cont'd)

	Group			
2015 **Outstanding contracts**	**Average exchange rate**	**Foreign currency FC'000**	**Contract value RM'000**	**Fair value RM'000**
Cash flow hedges				
Buy US Dollar				
Less than 3 months	4.28	5,300	22,695	964
3 to 6 months	4.32	5,600	24,171	14
Buy Euro Dollar				
Less than 3 months	4.75	1,650	7,840	(51)
3 to 6 months	4.76	70	333	(2)
				925
Fair value hedges				
Buy US Dollar				
Less than 3 months	4.30	5,394	23,191	(10)
3 to 6 months				
Buy Euro Dollar				
Less than 3 months	4.77	440	2,101	(33)
				(43)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4.1(b) Interest Rate Risk Management

The Group is exposed to interest rate risk because entities in the Group borrow funds at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by using interest rate swap contracts.

Interest Rate Sensitivity

The interest rate profile of the Group's and the Company's significant interest-bearing financial liabilities are disclosed in the table below as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments				
Medium term note	**280,000**	280,000	**280,000**	280,000
Term loans	**7,000**	14,000	**–**	–
	287,000	294,000	**280,000**	280,000
Floating rate instruments				
Bank overdraft	**6,470**	–	**–**	–
Bankers' acceptance	**–**	7,600	**–**	–
Revolving credit	**54,000**	39,500	**–**	–
	60,470	47,100	**–**	–
	347,470	341,100	**280,000**	280,000

Fixed Rate Instruments

The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change of 100 basis point ("bp") in interest rates would have increased or decreased equity and profit or loss by RM614,700 (2015: RM471,000). This analysis assumes that all other variables remain constant.

The sensitivity analyses in the foregoing paragraph have been determined based on the exposure to interest rate risks at the reporting date.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.4.1(c) Commodity Price Risk Management

The Group is subject to commodity risk with respect to price fluctuations in coal markets and attempts to limit its exposure to fluctuations in commodity prices by increasing its use of alternative fuels and renewable energies. From time to time, and if a market exists, the Group hedges its commodity exposures through derivative instruments at the latest when a firm commitment is entered into or known, or where future cash flows are highly probable.

There is no outstanding commodity contract and commodity derivative instruments as at year end, accordingly, the Group is not exposed to commodity price risk.

35.4.1(d) Other Price Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 10% higher/lower, the Group's:

- net profit for the year ended 31 December 2016 would have been unaffected as the equity investment is classified as available-for-sale and no investment was disposed of or impaired; and
- investments revaluation reserve would increase/decrease by RM123,600 (2015: increase/decrease by RM91,600) as a result of the changes in fair value of available-for-sale shares.

35.4.2 Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligation resulting in financial loss to the Group. Credit risk with respect to trade and other receivables is managed through the application of credit approvals, credit limits and monitoring procedures. Credit is extended to the customers based upon careful evaluation of the customers' financial condition and credit history. Surplus funds are placed with licensed financial institutions to minimise the risk that the counterparties will fail in performing their obligation.

The maximum credit exposure of the Group, without taking into account the fair value of any collateral, is represented by carrying amounts of the trade and other receivables as shown on the statement of financial position. The Group has no significant concentration of credit risk with its exposure spread over a large number of customers.

35.4.3 Liquidity Risk

The Group and the Company practice prudent liquidity risk management to minimise the mismatch of financial assets and liabilities.

Financial liabilities

The Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods are disclosed in Note 29.

All other financial liabilities are repayable on demand or due within 1 year from the end of the reporting period.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.5 Fair Values

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amounts derived from such methods and valuation techniques are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of the amounts estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets and financial liabilities reflected on the statements of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of the Group are as follows:

- **Cash and cash equivalents, trade and other receivables, intercompany indebtedness, trade and other payables and short-term borrowings:** The carrying amounts are considered to approximate the fair values as they are either within the normal credit terms or they have short-term maturity period.
- **Other financial assets:** Marketable securities quoted in an active market are carried at market value. Securities that are not quoted in an active market, for which there is no observable market data and fair value cannot be reliably measured, are carried at acquisition cost.
- **Long-term borrowings:** The fair values of long-term borrowings are determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate which takes into consideration the Group's incremental borrowing rate at year end for similar types of debt arrangements.
- **Derivative instruments:** The fair values of foreign exchange, interest rate and commodity derivatives were calculated using market prices that the Group would pay or receive to settle the related agreements.

35.5.1 <u>Fair value measurements recognised in the statement of financial position</u>

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

35. FINANCIAL INSTRUMENTS (CONT'D)

35.5 Fair Values (Cont'd)

35.5.1 Fair value measurements recognised in the statement of financial position (Cont'd)

2016	Level 1 RM'000	Group Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at FVTPL				
Derivative financial assets	**–**	**345**	**–**	**345**
Available-for-sale financial assets				
Quoted investments	**694**	**–**	**–**	**694**
Unquoted investments	**–**	**–**	**168**	**168**
Others	**–**	**–**	**374**	**374**
	694	**345**	**542**	**1,581**

2015	Level 1 RM'000	Group Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at FVTPL				
Derivative financial assets	–	1,044	–	1,044
Available-for-sale financial assets				
Quoted investments	374	–	–	374
Unquoted investments	–	–	168	168
Others	–	–	374	374
	374	1,044	542	1,960
Financial liabilities at FVTPL				
Derivative financial liabilities	–	(162)	–	(162)

There were no transfers between Levels 1 and 2 in 2016 and 2015.

35. FINANCIAL INSTRUMENTS (CONT'D)

35.5 Fair Values (Cont'd)

35.5.1 Fair value measurements recognised in the statement of financial position (Cont'd)

Reconciliation of Level 3 fair value measurements of financial assets.

	Group Available-for-sale			
	Unquoted investments 2016 RM'000	**Others 2016 RM'000**	**Unquoted investments 2015 RM'000**	**Others 2015 RM'000**
At beginning and end of year	**168**	**374**	168	374

The table above only includes financial assets.

All gains and losses included in other comprehensive income relate to other investments held at the end of the reporting period are reported as changes of "investments revaluation reserve" (see Note 26.4).

Gains and losses on disposals of other investments are included in "other income" or "other expenses" in profit or loss (see Note 10).

35.5.2 Fair Values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input used.)

35. FINANCIAL INSTRUMENTS (CONT'D)

35.5 Fair Values (Cont'd)

35.5.2 Fair Values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

Financial assets/ (liabilities)	2016 RM'000	2015 RM'000	Fair value hierarchy	Valuation techinique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sale						
Quoted investments	**694**	374	Level 1	Quoted bid price in active market	N/A	N/A
Unquoted investments	**168**	168	Level 3	Cost of investment	N/A	N/A
Others	**374**	374	Level 3	Cost of investment	N/A	N/A
	1,236	916				
Derivatives that are designated and effective as hedging instruments carried at fair value						
Foreign currency forward contracts						
– Financial assets	**319**	1,044	Level 2	Observable foreign currency forward contract rates at the end of reporting period	N/A	N/A
– Financial liabilities	**–**	(162)	Level 2		N/A	N/A
	319	882				
Derivatives that are not designated in hedge accounting relationship						
Foreign currency forward contracts						
– Financial assets	**26**	–	Level 2	Observable foreign currency forward contract rate at the end of reporting period	N/A	N/A

36. COMMITMENTS

36.1 Capital Commitments

	Group	
	2016	**2015**
	RM'000	**RM'000**
In respect of capital expenditure:		
Approved, contracted but not provided for	**44,086**	75,903
Approved but not contracted for	**184,120**	44,603
	228,206	120,506

36.2 Lease Commitments

The Group has lease commitments in respect of rented premises for plants, port operations and administration offices as well as equipment, all of which are classified as operating leases. The tenure of the minimum lease payments is as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Not later than 1 year	**44,663**	42,035
Later than 1 year and not later than 5 years	**65,655**	45,878
Later than 5 years	**40,922**	46,241
	151,240	134,154

37. FINANCIAL GUARANTEE

	Company	
	2016	**2015**
	RM'000	**RM'000**
Unsecured		
Corporate guarantee given to a third party in respect of provision for services to subsidiaries	**21,100**	21,100

38. MATERIAL LITIGATION

Lafarge Malaysia Berhad ("LMB") and LMCB Holding Pte. Ltd. ("LMCBH") were served with a Writ of Summons in respect of a claim in the High Court of Singapore by the Comptroller of Income Tax ("Writ") for repayment of the sum of SGD9,589,816.84.

The particulars of the claim under the Writ were as follows:

(i) Repayment of the sum of SGD9,589,816.84;
(ii) Further or in the alternative, damages to be assessed;
(iii) Further or in the alternative, tracing;
(iv) Interest pursuant to section 12 of the Singaporean Civil Law Act (the amount claimed is not stated in the Writ);
(v) Costs; and
(vi) Such further and/or other relief as the Court deems fit.

The Writ was filed in High Court of the Republic of Singapore on 2 May 2014 and served on LMB on 17 June 2014 and on LMCBH on 20 June 2014. The details of the circumstances leading to the filing of the Writ were as follows:

(i) LMCBH received from Inland Revenue Authority of Singapore (IRAS) in January 2005, September 2005 and November 2006, tax refunds for Years of Assessment ("YA") 2004 to 2006 amounting to the sum claimed under the Writ.

(ii) Expected refunds for YA 2007 and 2008 amounting to SGD7,525,000 were recognised as a tax receivable in the financial statements for the relevant financial periods.

(iii) In 2008, LMCBH received Notices of Additional Assessment from the Comptroller for YA 2004 to 2006 by which the Comptroller sought a return of the refunds made for those years, and a Notice of Original Assessment for YA 2007 giving rise to a tax payable instead of a tax receivable in that YA.

(iv) In October 2008, LMCBH appealed to the Income Tax Board of Review ("Board") against all the Notices of Additional Assessment received for YA 2004 to 2006 and the Notice of Original Assessment for YA 2007. The Board upheld the decision of the Comptroller.

(v) In April 2011, LMCBH filed an appeal to the High Court against the decision at the Board.

(vi) In December 2012, the High Court allowed LMCBH's appeal against the Notices of Additional Assessment in connection with the tax refunds received by LMCBH for YA 2004 to 2006. The High Court also discharged the Notice of Original Assessment for YA 2007.

(vii) In January 2013, LMCBH and the Comptroller filed appeals to the Court of Appeal against the aspects of the High Court decision that were unfavourable to them.

(viii) On 26 February 2014, the Court of Appeal issued its written grounds of decision. The Court of Appeal disallowed the Comptroller's appeal in respect of the Notices of Additional Assessment for YA 2004 to 2006 and allowed the Comptroller's appeal in respect of the Notice of Original Assessment for YA 2007. The Court of Appeal also disallowed LMCBH's appeal against certain other aspects of the High Court decision which were unfavourable to LMCBH. As a result of the Court of Appeal's decision, the sum refunded to LMCBH for YA 2004 to 2006 was unaffected, and the amount of SGD3,971,977.60 for YA 2007 will not be refunded to LMCBH and accordingly, the tax refund was written off by the Group in the year ended 31 December 2013.

38. MATERIAL LITIGATION (CONT'D)

LMCBH is a wholly owned subsidiary of LMB. LMCBH's paid up share capital is SGD2.00. It is an investment holding company and is not a major subsidiary of LMB. The Writ will not have any material adverse impact on the Group's financial position or its operations. If the claim for the repayment of the sum of SGD9,589,816.84 is successful, there will be a return of the amounts of tax refunded to LMCBH previously. LMB and LMCBH consider that there is no basis for the legal action and have appointed lawyers. The case is ongoing and is still at the pre-trial stage. Hearing dates for a jurisdictional challenge filed by LMB has been fixed for 24 to 28 April 2017.

39. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker for the purposes of allocating resources to the segment and assessing its performance.

For management purposes, the Group is organised into the following operating divisions:

– cement
– aggregates and concrete

Included in Cement Segment of the Group are operating divisions of other building materials and other operations.

Information regarding the Group's reportable segments is presented below.

39.1 Segment Revenue and Results

Group 2016	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
External sales	**1,943,269**	**608,936**	**–**	**2,552,205**
Inter-segment sales	**322,059**	**9,514**	**(331,573)**	**–**
Total revenue	**2,265,328**	**618,450**	**(331,573)**	**2,552,205**
RESULTS				
Segment results	**99,770**	**(1,772)**	**–**	**97,998**
Interest income				**4,860**
Profit from operations				**102,858**
Finance costs				**(19,621)**
Share in results of joint venture				**(8,956)**
Income tax credit				**3,448**
Profit for the year				**77,729**

39. SEGMENTAL INFORMATION (CONT'D)

39.1 Segment Revenue and Results (Cont'd)

Group 2015	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
REVENUE				
External sales	2,277,948	472,872	–	2,750,820
Inter-segment sales	319,373	5,495	(324,868)	–
Total revenue	2,597,321	478,367	(324,868)	2,750,820
RESULTS				
Segment results	355,338	(5,054)	–	350,284
Interest income				4,935
Profit from operations				355,219
Finance costs				(2,206)
Share in results of joint venture				(6,107)
Income tax expense				(94,344)
Profit for the year				252,562

39.2 Segment Assets and Liabilities

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities that relate to investing and financing activities and cannot be reasonably allocated to individual segments. These include mainly corporate assets, other investments, deferred tax assets/liabilities and current tax assets/liabilities.

39. SEGMENTAL INFORMATION (CONT'D)

39.2 Segment Assets and Liabilities (Cont'd)

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Group 2016	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
SEGMENT ASSETS				
Segment assets	**4,025,123**	**290,880**	**(370,013)**	**3,945,990**
Investment in joint venture				**25,710**
Unallocated corporate assets				**284,142**
Consolidated total assets				**4,255,842**
SEGMENT LIABILITIES				
Segment liabilities	**827,634**	**244,193**	**(380,812)**	**691,015**
Interest bearing instruments				**347,470**
Unallocated corporate liabilities				**153,727**
Consolidated total liabilities				**1,192,212**
Group **2015**				
SEGMENT ASSETS				
Segment assets	4,041,863	278,879	(326,120)	3,994,622
Investment in joint venture				34,298
Unallocated corporate assets				333,178
Consolidated total assets				4,362,098
SEGMENT LIABILITIES				
Segment liabilities	844,894	218,424	(330,846)	732,472
Interest bearing instruments				341,100
Unallocated corporate liabilities				193,722
Consolidated total liabilities				1,267,294

39. SEGMENTAL INFORMATION (CONT'D)

39.3 Other Segment Information

Group	Cement RM'000	Aggregates & Concrete RM'000	Elimination RM'000	Consolidated RM'000
OTHER INFORMATION				
2016				
Capital expenditure	**237,155**	**28,950**	**–**	**266,105**
Depreciation and amortisation	**177,449**	**18,420**	**–**	**195,869**
2015				
Capital expenditure	198,773	35,235	–	234,008
Depreciation and amortisation	149,926	11,387	–	161,313

39.4 Geographical Information

The Group operates in two principal geographical areas - Malaysia (country of domicile) and Singapore.

	Revenue		Segment Assets		Capital Expenditure	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	**2,417,743**	2,596,400	**3,837,846**	3,879,339	**266,105**	234,008
Singapore	**134,462**	154,420	**108,150**	115,283	**–**	–
	2,552,205	2,750,820	**3,945,996**	3,994,622	**266,105**	234,008
Investment in joint venture			**25,710**	34,298		
Unallocated corporate assets			**284,136**	333,178		
			4,255,842	4,362,098		

Inter-segment pricing is mutually agreed between the segments based on market prices determined in the normal course of business.

40. CHANGE IN ACCOUNTING POLICY

During the year, the Group changed its accounting policy with respect to the recognition of deferred taxation in respect of the unutilised reinvestment allowances. The Group now recognises the deferred taxation assets arising from the unutilised reinvestment allowances. Prior to this change in policy, the tax effects were only recognised upon actual realisation.

As the deferred taxation impact on the unutilised reinvestment allowances is significant, the Group believes that the change of the new policy provide a more reflective financial position.

40. CHANGE IN ACCOUNTING POLICY (CONT'D)

The effects of the change in accounting policy were as follows:

Group

	RM'000
As at 31 December 2016	
Statement of Financial Position	
Decrease in deferred tax liabilities	**30,466**
For the financial year ended 31 December 2016	
Statement of Profit or Loss and Other Comprehensive Income	
Decrease in tax expense	**30,466**
Increase in profit for the year	**30,466**
	Sen
Increase in basic earnings per ordinary share	**0.04**

The change in the policy have had no impact to the prior year as there were no unutilised reinvestment allowances.

41. SUBSEQUENT EVENT

Borrowings

A wholly-owned subsidiary in Malaysia, Lafarge Cement Sdn. Bhd. ("LCSB") has established an unsecured Sukuk Wakalah Programme ("the Facility") of up to RM500 million in nominal value based on Shariah principle of Wakalah and Murabahah. The Facility has a tenure of 7 years from its first issuance date and has been duly signed by all parties to the arrangement on 22 December 2016. The Facility is utilised as of 31 December 2016.

On 13 January 2017, LCSB raised a 1 year Medium Term Notes ("MTN") of RM100 million and 3 years MTN of RM180 million through the Facility. The distribution rates are 4.40% per annum and 4.80% per annum respectively.

New Companies Act

The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Company would include the removal of the authorised share capital, replacement of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act is not expected to have any financial impact on the Group and on the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

42. DISCLOSURE ON REALISED AND UNREALISED PROFITS - SUPPLEMENTARY INFORMATION

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained earnings of the Company and its subsidiaries				
Realised	**1,340,431**	1,401,158	**285,929**	307,549
Unrealised	**60,725**	10,638	**34,705**	31,662
	1,401,156	1,411,796	**320,634**	339,211
Total share of retained earnings from joint venture				
Realised	**16,184**	25,140	**–**	–
	1,417,340	1,436,936	**320,634**	339,211
Less: Consolidation adjustments	**(337,342)**	(326,341)	**–**	–
Total retained earnings as per statements of financial position	**1,079,998**	1,110,595	**320,634**	339,211

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on 20 December 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it has resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

ANALYSIS OF SHAREHOLDINGS 07

AS AT 27 MARCH 2017

SHARE CAPITAL

Type	No. of shares		Amount (RM)
Authorised	3,000,000,000 ordinary shares		3,000,000,000
		Total	**3,000,000,000**
Issue and paid-up	849,695,476 ordinary shares		849,695,476
		Total	**849,695,476**
Voting right of ordinary shares	1 vote per share		

DISTRIBUTION ACCORDING TO SIZE OF SHAREHOLDINGS AS AT 27 MARCH 2017

Size of Shareholdings	No. of Shareholders & Percentage		No. of Shares & Percentage	
	Shareholders	%	Shares	%
Less than 100	362	5.11	7,449	0.00
100 - 1,000	2,968	41.96	1,623,162	0.19
1,001 - 10,000	2,716	38.40	9,196,831	1.08
10,001 - 100,000	801	11.32	23,493,208	2.77
100,001 to less than 5% of issued ordinary shares	224	3.17	238,814,270	28.11
5% of issued ordinary shares and above	3	0.04	576,560,556	67.85
TOTAL	**7,074**	**100.00**	**849,695,476**	**100.00**

DIRECTORS SHAREHOLDINGS

Based on the Register of Directors' Shareholdings as at 27 March 2017

		Direct		Indirect	
Name	Nationality	No. of Ordinary Shares of RM1.00 Each	Percentage of Share Capital %	No. of Ordinary Shares of RM1.00 Each	Percentage of Share Capital %
Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar	Malaysian	–	–	–	–
Martin Kriegner	Austrian	–	–	–	–
Thierry Legrand	French	–	–	–	–
Michael Lim Yoke Tuan	Malaysian	–	–	–	–
Tan Sri A. Razak Bin Ramli	Malaysian	–	–	–	–
Y.M. Tunku Afwida Binti Tunku A.Malek	Malaysian	–	–	–	–
Tan Sri Dr Rebecca Fatima Sta Maria	Malaysian	–	–	–	–
Datuk Muhamad Noor Bin Hamid	Malaysian	–	–	–	–
Bi Yong So Chungunco	Filipino	–	–	–	–
Daniel Nikolaus Bach	British	–	–	–	–
Jean Desazars de Montgailhard	French	–	–	–	–

ANALYSIS OF SHAREHOLDINGS

AS AT 27 MARCH 2017

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER

(According to Register of Depositors as at 27 March 2017)

No.	Names	Shareholdings No.	Shareholdings %
1.	Associated International Cement Limited	433,344,693	51.00
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	73,187,763	8.61
3.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	70,028,100	8.24
4.	Kumpulan Wang Persaraan (Diperbadankan)	20,166,100	2.37
5.	AmanahRaya Trustees Berhad AS 1Malaysia	12,845,500	1.51
6.	AmanahRaya Trustees Berhad Amanah Saham Malaysia	11,318,800	1.33
7.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	10,733,351	1.26
8.	CIMB Group Nominees (Tempatan) Sdn Bhd Yayasan Hasanah (AUR-VCAM)	10,208,500	1.20
9.	AmanahRaya Trustees Berhad Amanah Saham Didik	8,638,600	1.02
10.	AmanahRaya Trustees Berhad Public Islamic Dividend Fund	7,289,000	0.86
11.	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	7,115,000	0.84
12.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Funds Asian Special Situations	6,453,900	0.76
13.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustee Berhad for Public Ittikal Fund (N14011970240)	5,800,000	0.68
14.	Loke Wan Yat Realty Sdn Bhd	5,107,100	0.60
15.	Cartaban Nominees (Asing) Sdn Bhd GIC Private Limited for Government of Singapore (C)	4,865,960	0.57
16.	CitiGroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	4,592,300	0.54
17.	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	4,193,200	0.49

THIRTY LARGEST SECURITIES ACCOUNTS HOLDER (CONT'D)

(According to Register of Depositors as at 27 March 2017) (Cont'd)

No.	Names	Shareholdings No.	%
18.	CitiGroup Nominees (Asing) Sdn Bhd Macquarie Bank Limited (London Branch)	4,175,100	0.49
19.	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	3,967,040	0.47
20.	Malaysia Nominees (Tempatan) Sendirian Berhad Lee Foundation, States of Malaya (00-00197-000)	3,763,620	0.44
21.	AmanahRaya Trustees Berhad Public Islamic Select Enterprises Fund	3,355,900	0.39
22.	AmanahRaya Trustees Berhad Public Ittikal Sequel Fund	3,161,200	0.37
23.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	3,156,387	0.37
24.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) SCA For Fidelity Asian Equity Pool (Fidelity Funds)	2,645,300	0.31
25.	Lembaga Tabung Angkatan Tentera	2,520,700	0.30
26.	AmanahRaya Trustees Berhad Public Islamic Sector Select Fund	2,520,500	0.30
27.	AmanahRaya Trustees Berhad Public Islamic Equity Fund	2,299,900	0.27
28.	Amsec Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (VT-CIMB-DALI)	2,283,000	0.27
29.	Cimsec Nominees (Asing) Sdn Bhd Exempt An For CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,175,867	0.26
30.	Cartaban Nominees (Asing) Sdn Bhd BBH (Lux) Sca for Fast Asia Fund	2,059,800	0.24
	TOTAL	**733,972,181**	**86.38**

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ANALYSIS OF SHAREHOLDINGS

AS AT 27 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

(According to the Company's Register of Substantial Shareholders as at 27 March 2017)

Name	Place of Incorporation/ Nationality	Direct: No. of Ordinary Shares of RM1.00 Each	Direct: Percentage of Share Capital %	Indirect: No. of Ordinary Shares of RM1.00 Each	Indirect: Percentage of Share Capital %
LafargeHolcim Ltd ("LH")	Switzerland	-	-	(1) 433,344,693	51.00
Associated International Cement Limited ("AIC")	United Kingdom	433,344,693	51.00	-	-
Blue Circle International Holdings BV ("BCIH")	Netherlands	-	-	(2) 433,344,693	51.00
Lafarge International Holdings Limited ("LIHL")	United Kingdom	-	-	(3) 433,344,693	51.00
Lafarge Finance Ltd ("LFL")	Jersey	-	-	(4) 433,344,693	51.00
Lafarge Building Materials Limited ("LBML")	United Kingdom	-	-	(5) 433,344,693	51.00
Financiere Lafarge SA ("FLSA")	France	-	-	(6) 433,344,693	51.00
SOFIMO *	France	-	-	(7) 433,344,693	51.00
Lafarge SA ("Lafarge")	France	-	-	(8) 433,344,693	51.00
Employees Provident Fund Board ("EPF")	Malaysia	73,187,763	8.61	(9) 6,018,100	0.71
AmanahRaya Trustees Berhad – Amanah Saham Bumiputera ("AmanahRaya")	Malaysia	70,028,100	8.24	-	-

* *Societe Financiere Immobiliere et Mobiliere*

Notes:

(1) LH	:	Deemed interest via its indirect interest in the shares of AIC, through its indirect interest in BCIH, LIHL, LFL, LBML, FLSA and FOFIMO, and direct interest in Lafarge SA following the successful completion of a public exchange offer by Holcim Ltd for Lafarge S.A. shares and completion of merger between Lafarge SA and Holcim Ltd.
(2) BCIH	:	Deemed interest by virtue of its 100% shareholding in AIC.
(3) LIHL	:	Deemed interest by virtue of its 100% shareholding in BCIH.
(4) LFL	:	Deemed interest by virtue of its shareholding in LIHL.
(5) LBML	:	Deemed interest by virtue of its shareholding in LIHL and LFL.
(6) FLSA	:	Deemed interest by virtue of its 100% shareholding in LBML.
(7) SOFIMO	:	Deemed interest by virtue of its 100% shareholding in FLSA.
(8) Lafarge	:	Deemed interest by virtue of its 100% shareholding in SOFIMO.
(9) EPF	:	Held through Aberdeen Asset Management and AberIslamic.

TOP 10 LIST OF PROPERTIES 07

AS OF 31 DECEMBER 2016

	Title No./Location	Approximate Area	Tenure	Description	Date of Revaluation/ Date of Acquisition	Age of Buildings (Years)	Net Book value RM'000
1.	Plot C, H.S. (D) 7/1983 Telok Ewa, Langkawi Kedah Darul Aman	196.4 acres	Leasehold expiring on 01/06/2043	Cement factory complex and ancillary buildings	15/06/1999	32	33,498
2.	Lot No. 46497 & 15 Kanthan, Perak Darul Ridzuan	393 acres (Total gross floor area of buildings: approximately 39,672 sq ft)	Leasehold expiring in 2020	Limestone quarry and ancillary buildings	Dec 1998	26	19,554
3.	Lot No. 1956 Rawang, Selangor Darul Ehsan	49 acres	Leasehold expiring in 2056	Cement factory complex and ancillary buildings	Dec 1998	17-41	18,819
4.	Lot No. 4222 Rawang, Selangor Darul Ehsan	348 acres (Total gross floor area of buildings: approximately 28,403 sq ft)	Leasehold expiring in 2025	Limestone quarry and ancillary buildings	Dec 1998	41	17,697
5.	No. 2, Jalan Kilang, Petaling Jaya 46050 Selangor Darul Ehsan	6 acres	Leasehold expiring in 2068	Office complex	Dec 1998	31	15,304
6.	HS(D) 238630, PTD 119740 and HS(D) 238629, PTD 119739, Mukim of Plentong, Johor Bahru	6.003 hectares	Lease term expiring on 31/12/2050 and 2023	Industrial land	04/2016	–	10,274
7.	P.T. 867, H.S. (D) 7/86 Mukim Air Hangat Langkawi, Kedah Darul Aman	674 acres	Leasehold expiring on 09/01/2032	Limestone quarry	15/06/1999	–	8,399
8.	Lot Nos. 3546 to 3548, 3551, 3554, 3555 & 3557 to 3560 Rawang, Selangor Darul Ehsan	105.83 acres	Freehold	Agricultural land	Dec 1998	–	6,818
9.	Title No. H.S.(D) KA 119/84 P.T. 63166 Kanthan, Perak Darul Ridzuan	33 acres	Premium paid for 30 years from Sep 2010	Cement factory complex and ancillary buildings	Dec 1998	12-36	6,145
10.	Lot No. 1957 Rawang, Selangor Darul Ehsan	57 acres (Total gross floor area of buildings: approximately 46,893 sq ft)	Leasehold expiring in 2056	Employees' quarters comprising 6 bungalows and 24 units single storey houses	Dec 1998	41	5,819

07 NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 67th Annual General Meeting of LAFARGE MALAYSIA BERHAD will be held at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia on Tuesday, 23 May 2017 at 2.00 p.m. for the following purposes:-

AGENDA

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon.	Please refer to Explanatory Note (a)
2.	To re-elect the following Directors who retires as a Director of the Company under Article 85 of the Articles of Association of the Company.	
	a. Thierry Legrand;	**Resolution 1**
	b. Bi Yong So Chungunco; and	**Resolution 2**
	c. YM Tunku Afwida Binti Tunku A.Malek.	**Resolution 3**
3.	To re-elect the following Directors who retires as a Director of the Company under Article 91 of the Articles of Association of the Company.	
	a. Martin Kriegner;	**Resolution 4**
	b. Daniel Nikolaus Bach;	**Resolution 5**
	c. Tan Sri Dr Rebecca Fatima Sta Maria;	**Resolution 6**
	d. Jean Desazars de Montgailhard; and	**Resolution 7**
	e. Datuk Muhamad Noor Bin Hamid.	**Resolution 8**
4.	To re-appoint Messrs Deloitte, the retiring Auditors and to authorise the Directors of the Company to fix their remuneration.	**Resolution 9**

As Special Business

To consider and, if thought fit, to pass the following Resolutions:

5.	**Ordinary Resolution** To re-appoint Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, as Independent Non-Executive Director of the Company, as per recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.	**Resolution 10**
6.	**Ordinary Resolution** To re-appoint Tan Sri A. Razak bin Ramli who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, as Independent Non-Executive Director of the Company, as per recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.	**Resolution 11**
7.	**Ordinary Resolution** Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").	**Resolution 12**
8.	**Ordinary Resolution** Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback").	**Resolution 13**

9. **Ordinary Resolution**
To approve the Directors' fees and benefits of RM829,696.00 payable to the Directors in respect of the financial year ended 31 December 2016. **Resolution 14**

10. **Ordinary Resolution**
To approve the payment of the Directors' fees and benefits of up to RM1,088,550.00 payable to the Directors in respect of the financial year ending 31 December 2017. **Resolution 15**

11. **Others**
To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Articles of Association.

By Order of the Board

Koh Poi San (L.S. No. 9701)
Katina Nurani Abd Rahim (L.S. No. 9652)
Company Secretaries

Petaling Jaya,
Selangor Darul Ehsan
25 April 2017

Explanatory Note on Ordinary Business

a. Item 1 of the Agenda is meant for discussion only as under the provision of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders and hence, the matter will not be put forward for voting.

Explanatory Notes on Special Business

b. **Ordinary Resolution 10**
The Malaysian Code on Corporate Governance 2012 recommends that approval of shareholders be sought in the event that the Company intends to retain as an independent director, a person who has served in that capacity for more than 9 years. The Board has assessed Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar, who has served as Independent Non-Executive Director of the Company for more than 9 years, and recommends that he continue to act as Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM of the Company. Key justifications for Tunku Tan Sri Imran's continuance as Independent Non-Executive Director are as follows:

i. Tunku Tan Sri Imran fulfills the independent criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board.

ii. Tunku Tan Sri Imran's relevant experience and expertise as set out in his profile on page 22 of the Annual Report enables him to provide the Board with a diverse set of expertise, skills and competence and thus ensuring that all matters tabled to the Board for consideration are well deliberated. Tunku Tan Sri Imran also has the requisite experience, vast knowledge, expertise and understanding of the Company's business operations and its specialised heavy industry which enables him to contribute effectively to the Company's business and to protect the interest of the Company and its shareholders.

iii. Tunku Tan Sri Imran has continued to exercise his independence and due care during his tenure as an Independent Non-Executive Director and Chairman of the Company and has carried out his professional duties in the best interest of the Company and its shareholders. Tunku Tan Sri Imran's long service and association with the Company enhances his knowledge and understanding of the business operations of the Company which enables him to contribute actively and effectively, thus providing balanced decision making during deliberations at Board meetings.

c. Ordinary Resolution 11

The Malaysian Code on Corporate Governance 2012 recommends that approval of shareholders be sought in the event that the Company intends to retain as an independent director, a person who has served in that capacity for more than 9 years. The Board has assessed Tan Sri A. Razak bin Ramli, who has served as Independent Non-Executive Director of the Company for more than 9 years, and recommends that he continue to act as Independent Non-Executive Director, subject to shareholders' approval at the forthcoming AGM of the Company. Key justifications for Tan Sri Razak's continuance as Independent Non-Executive Director are as follows:

i. Tan Sri Razak fulfills the independent criteria set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board.

ii. Tan Sri Razak's relevant experience and expertise including his vast experience in the government service sectors as set out in his profile on page 23 of the Annual Report, ensures that all matters tabled to the Board for consideration are well deliberated. Tan Sri Razak has the requisite experience, vast knowledge, expertise and understanding of the Company's business operations and its specialised heavy industry which enables him to contribute effectively to the Company's business and provide an independent view to the deliberations and decision making of the Board and the Audit Committee.

iii. Tan Sri Razak has displayed a professional aptitude in the exercise of his professional duties and has continued to act in the best interest of the Company and its shareholders. Tan Sri Razak's long service and association with the Company enables him to contribute and participate actively and effectively and provide balanced decision making during deliberations at the Audit Committee and Board meetings.

d. For **Ordinary Resolutions 12 and 13**, please refer to the Circular to Shareholders for the Proposed Recurrent RPT Mandate and the Share Buyback Statement, all dated 25 April 2017 despatched together with the Company's Annual Report for the financial year ended 31 December 2016.

e. Ordinary Resolutions 14 and 15

Section 230(1) of the Companies Act 2016 provides that the fees and any benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, shareholders' approval is being sought for the Directors' fees and benefits in respect of the financial year ended 2016, and for payment of the Directors' fees and benefits in respect of the financial year ending 2017. The fees of the Company's Independent Directors are based upon the rates approved by the shareholders at the AGM held on 24 May 2016. The Company's Non-Independent Directors and Executive Directors do not receive any directors' fees.

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and such proxy need not be a member of the Company. A proxy appointed to attend and vote at the meeting of the Company shall have the same rights as the member to speak at the meeting.
2. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares in the Company standing to the credit of the said securities account. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
3. The instrument appointing a proxy must, to be valid, be deposited at the Registered Office of the Company, Level 12, Bangunan TH Uptown 3, No.3 Jalan SS21/39, 47400 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for the meeting.
4. If the form of proxy is executed by a corporation, it must be either under its seal or under the hand of any authorised officer or attorney.
5. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 May 2017 shall be entitled to attend, speak and vote at the meeting.

Form of Proxy

LAFARGE MALAYSIA BERHAD (1877-T)
(Incorporated in Malaysia)

I/We ____
(Full name in block letters)

of ____
(Address)

being a member/members of **LAFARGE MALAYSIA BERHAD**, hereby appoint ______________________________

____
(Full name in block letters)

of ____
(Address)

or failing him/her, the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the 67th Annual General Meeting of the Company to be held on Tuesday, 23 May 2017 at 2.00 p.m. at Ballroom 3, First Floor, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia and at any adjournment thereof, and to vote as indicated below:-

NO.	RESOLUTION	FOR	AGAINST
ORDINARY BUSINESS			
1.	Re-election of Thierry Legrand under Article 85.		
2.	Re-election of Bi Yong So Chungunco under Article 85.		
3.	Re-election of YM Tunku Afwida Binti Tunku A.Malek under Article 85.		
4.	Re-election of Martin Kriegner under Article 91.		
5.	Re-election of Daniel Nikolaus Bach under Article 91.		
6.	Re-election of Tan Sri Dr Rebecca Fatima Sta Maria under Article 91.		
7.	Re-election of Jean Desazars de Montgailhard under Article 91.		
8.	Re-election of Datuk Muhamad Noor Bin Hamid under Article 91.		
9.	Re-appointment of Messrs Deloitte, the retiring Auditors and to authorise the Directors of the Company to fix their remuneration.		
SPECIAL BUSINESS			
10.	Continuation in Office of Y.A.M. Tunku Tan Sri Imran ibni Almarhum Tuanku Ja'afar as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.		
11.	Continuation in Office of Tan Sri A. Razak bin Ramli as Independent Non-Executive Director in accordance with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.		
12.	Proposed Renewal of Shareholders' Mandate as well as Proposed New Mandate for Recurrent Related Party Transactions ("Recurrent RPTs").		
13.	Proposed Renewal of Authority for Purchase of own shares by the Company ("Share Buyback").		
14.	Approval of the Directors' fees and benefits of RM829,696.00 payable to the Directors in respect of the financial year ended 31 December 2016.		
15.	Approval of the payment of the Directors' fees and benefits of up to RM1,088,550.00 payable to the Directors in respect of the financial year ending 31 December 2017.		

Please indicate with an "X" in the appropriate space above how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

Number of Shares	

Signed this ________ day of ____________________ 2017.

SEAL

Signature: ______________________________

Notes:-

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Fold this flap for sealing

Affix
Stamp

LAFARGE MALAYSIA BERHAD (1877-T)
(Incorporated in Malaysia)

Level 12, Bangunan TH Uptown 3
No.3, Jalan SS 21/39
47400 Petaling Jaya
Selangor Darul Ehsan
Malaysia

1st fold here

2nd fold here

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